

JPRS 77285

30 January 1981

China Report

ECONOMIC AFFAIRS

No. 113



FOREIGN BROADCAST INFORMATION SERVICE

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON SOCIALIST ECONOMIC REGULATION

HK091440 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 11,
20 Nov 80 pp 19-32

[Article by Lin Zili [2651 1311 0500]: "An Inquiry Into the Theory of Socialist Economic Regulation"]

[Text] The theory and practice of socialism are in the midst of development. In today's world, the people who are building socialism and conducting research into socialism are all striving, each in his own way, to open up new fields and diligently inquire into them. Since we are a great socialist country with a population of 900 million people, the economic reform we are now carrying out is being watched with great interest from all sides.

This economic reform covers a whole range of important theoretical problems, including that the theory of socialist economic regulation. The proposal for the integration of regulation by planning mechanism and regulation by market mechanism represents a breakthrough in our progress. However, just as the theory of socialism must evolve and mature in conjunction with practice, for the important problem of the regulation of the socialist economy to be further resolved, it must pass through a fairly long period of research in the wake of the implementation of reform.

For this reason, this article will only discuss a few tentative views gathered from the process of research.

1. The Foundation of the Theory of Regulation—The Theory of Social Needs

When we speak of regulation, we usually mean proportional regulation.

In whatever stage of development of social production, there are always certain proportional economic relationships, that is, there is always a certain economic structure. (In the works of Marx, the concept of economic structure is in fact equated to economic formation or the economic base, and refers to the sum total of the relations of production. In recent years, however, we have generally used this concept in a sense which is not connected with the relations of production.) If social production is being carried on, then it must necessarily be carried on in accordance with certain proportions, that is to say, that production is always proportional production;

this is basically not in question, the important points are, what determines the proportions, and what regular patterns do they contain? The generally accepted explanation of these points is that they are attributed to social needs, and this cannot really be disputed. However, this concept of social needs has never been clearly defined in the past, either quantitatively or qualitatively, and it remains insufficiently clear-cut. We believe that this matter of need is a premise for the entire theory of regulation, and that, if this problem is not cleared up, a solid foundation for research will be lacking, thus there is an urgent requirement for a thorough inquiry into this field.

Man, as a higher animal, has needs appertaining to the human race itself. The needs of the human race may be divided into the needs for existence, enjoyment and development, including development of its own physical and mental powers. Man needs material goods, and he also needs spiritual goods, and this need for material and spiritual goods is sublimated to the need to consume. In addition, man also has other needs, apart from the need to consume, such as a feeling of belonging, a sense of honor, a desire to realize his ideals and ambitions and so on. In general, these needs are not satisfied in the process of consumption, but rather through intercourse between men, relationships among them, or by the undertaking of some activity. Since this kind of nonconsumer need does not directly affect the proportions of production, this article will not cover it in any detail. We are concerned here with the analysis of consumer needs.

The classic authors of Marxism stated mankind's needs for the means of existence, the means of enjoyment and the means of development. We maintain that these three needs which they speak of are consumer needs. No matter whether man's material and spiritual life is in a primitive or an impoverished state, or whether it has reached a level of civilization and abundance, everything without exception is geared to satisfying these three kinds of needs. However, the needs which include these three aspects will always have actual forms, and will always want to manifest themselves as concrete forms, which we will call need forms. Need forms are the concrete expression of the requirements for existence, enjoyment and development, the real shape of needs. In order to exist, to enjoy, and to develop, a man must possess such materials goods as the means of obtaining food, clothing, housing and transportation; he must also possess either spiritual goods such as cultural and artistic materials, or have all kinds of services provided by other people. All these different combinations of things constitute his need forms. This is true of an individual man, and it is also true of a family, household and a society. Different need forms reflect different levels of need. Thus if foodstuffs constitute a large proportion of a need form, then the needs are obviously on a low level and very crude, whereas in a very high level need form consumer goods will necessarily constitute a large proportion.

Why do different need forms come into existence, or, to put it another way, why should the need form at a certain state be of a particular kind, and no other? The decisive factor is the amount of labor possessed by a society at a certain stage. This is because the fulfillment of needs must depend on the means of fulfilling the needs, which is to say that labor must be

expended. This labor is invariably the labor of a given level of the productive forces. The expenditure of labor which acts as the means of fulfilling needs is an amount of labor which possesses a certain degree of labor productivity. Quantitative stipulations for the means of existence, the means of enjoyment and the means of development which fulfill men's needs are changed in accordance with an amount of labor with a given level of labor productivity. Thus the actual shape of needs, that is, the need for a particular stage, should be conditioned by the amount of labor at a given level of labor productivity. To illustrate this with an example, in a modern industrialized society, included in people's need forms are a car, a refrigerator, a washing machine, the movies, television, public entertainment, vacations and so on. This modern need form came about because mankind came into possession of labor with a high degree of labor productivity. In the same way, the need form of the primeval clan society, composed of wild fruits, animal skins, straw huts, crudely fashioned ornaments and so on, was determined by the possession at that time of labor with a very limited labor productivity. As Marx said: "In the earlier period of culture, the forces of labor production which already existed were very low, but needs were also at a very low level; needs were on an equal footing with the means of fulfilling those needs, and they were, moreover, dependent on the said means for their development." ("Das Kapital" Vol 1, People's Publishing House 1975 Edition (similarly below), p 559) The needs which Marx discusses here, as we see it, are the actual forms of the needs, which means that they are also the need forms. The needs for existence, enjoyment and development exist alongside humanity, and the social need forms which are conditioned by the amount of social labor also exist, taking different forms, at different stages of social development.

In the works of Marx, the term "affordable social needs" sometimes occurs, and we believe that this term may be used to explain the need forms existing in the commodity economy. Under the conditions of commodity economy, social need forms are manifested as affordable needs or, in other words, there is a requirement for purchasing power. It may also be said that the existence of affordable needs is a concept peculiar to the commodity economy. The capacity of money to pay for things, that is, purchasing power, is the specific form of the capacity to pay for things. Moreover, the capacity to pay for things, in its widest sense, is in fact the amount of labor which a society is able to expend; in this sense, every society possesses a certain capacity to pay for things. Thus all actual needs are needs which can be paid for, that is, they are particular social need forms which are subject to limitation by the total amount of social labor available. However, in a noncommodity economy, as far as self-sufficient producers are concerned, production and consumption are aspects of behavior peculiar to themselves, having no relation to the main parts of other economies. The expenditure of labor is the creation of use value for themselves. Production is for their own consumption, and what is consumed is what they themselves produce. This is equivalent to paying oneself with one's own labor. Payments do not occur between economic setups of different forms, a notion of the capacity to pay for things cannot be formed in human brains, and of course we cannot be aware that need forms which are determined by the amount of labor are in fact needs which can be paid for. And in a commodity economy production and consumption are not completed within one kind of economic setup, but constitute behavior within

the social sphere. The expenditure of labor by the producers is not the creation of use value for themselves, but is carried out in order to obtain exchange value; production relies on consumption by other people, and a product can only obtain exchange value when it forms the use value of another person. If it is to obtain the use value produced by another person, a product must possess a capacity to be paid for which is commensurate with its exchange value, and if this quality manifests itself, it supplies other people with the results of labor itself, and the other person hands over money in return for it. The amount of labor and the capacity to pay for things have evolved into a thing which is possessed by different producers, forming a thing which causes opposition between one producer and another. The capacity to pay for things is manifested as a presupposition of consumption, while exchange value manifests itself as a presupposition of use value. However, if we consider the scope of the entire society, then the amount of social labor is equivalent to the social capacity to pay for things. Needs which can be paid for are thus need forms which are subject to limitation by the total amount of social labor.

Always presupposing that mankind possesses the needs to exist, to enjoy and to develop, the amount of social labor will determine the proportions of the distribution of labor; if there is so much labor available, then the need forms will be of this sort, and similarly, there will be these proportions of labor distribution. If there is a need for grain, labor should be allocated to plant it; if there is a need for meat, labor should be allocated to raise livestock; if there is a need for cloth, labor should be allocated to weave it; if there is a need for housing, labor should be allocated to build it, and if there is a need for motor vehicles, labor should be allocated to manufacture them. Furthermore, the manufacture of motor vehicles requires metal and other raw and processed materials, and the smelting of steel and other metals requires ores, coke and so on; so at the same time as allocating labor to make motor vehicles, we must also allocate labor to take part in this whole chain of production. This also means that, if we wish to obtain supplies of such things as food, clothing and housing, we also need to use the material goods involved in their production. Thus, when we speak of men allocating labor to produce the consumer goods which they have need of, this does not mean that we have overlooked the labor which is involved in the production of the means of production; on the contrary, this was included from the very beginning.

With the advance of material production methods, and the fluctuations of the labor force, changes occur, as a consequence, in the amount of social labor. In particular, increases in labor productivity mean that the labor required to produce the same order of magnitude of use value can be reduced, which has a similar effect to that of raising the amount of social labor. Thus, between labor productivity, the amount of social labor and the proportional distribution of labor, there exist close relationships. The proportional distribution of social labor includes economizing on labor and increasing efficiency, that is to say, it implies economic growth. To render the explanation simpler, let us again take an individual person as an example: he has the three needs possessed in common with the human race, is aware of the amount of labor at his disposal, and wants to allocate this labor

to the production of food, clothing, housing and so on. If he uses a relatively small amount of labor to provide himself with food, he can then use more labor to weave cloth and build houses; if he has made economical use of his labor in the aspects of weaving and building, then he will have the time to plant flowers, paint pictures, compose songs and so forth.... Moreover, as labor productivity is raised, the need forms will not only change from simple to complex, but also from crude to refined. Thus, a man will not only use a relatively small amount of labor to produce the same foodstuffs which he formerly had to use a relatively large amount of labor to produce, but will also use a relatively small amount of labor to produce foodstuffs which are more abundant and which have a better flavor than before. The need form which includes this kind of foodstuff must be a fairly high-grade one. In the case of an individual man, this means that, when labor productivity is raised, that is, when circumstances are similar to an increase in the amount of labor, he will allocate his labor in accordance with a need form which has changed to a higher level. The example of an individual man can clarify a principle which is applicable to society as a whole. If labor productivity continually fluctuates, and the total amount of social labor also continually fluctuates, then the continually fluctuating amount of labor will bring about different need forms and different proportions of labor allocation, and the proportions of labor allocation in time will also be set in movement. From the point of view of the entire process of social production, when the proportions are always in motion, they can never become completely equitable, but on the other hand, they always tend towards, and to approach, that which is equitable; this is a law of the proportional allocation of social labor. It is manifested in the conforming of the allocation of labor to the continual regulation of social needs or, in other words, regulation reflects the requirements of this law.

To summarize, the discussion of the problem of regulation cannot be separated from the law of the proportional allocation of social labor, and this law is closely connected with the matter of needs. Of course, the above analysis of needs is far from complete, but one point at least would seem to be clear, and that is, that research into the theory of regulation should proceed from the discussion of needs.

2. The Typical Form of Regulation by Market Mechanism

The proportional allocation of social labor acts as the most general law of economics, and appears in different forms in different social economic patterns. In his letter "To L. Kugelmann" Marx made a famous statement, and we believe that it is still essential to cite it: "Everybody is aware that, if we hope to obtain an amount of goods corresponding to various different needs, then we must expend various different kinds and specific quantities of the total amount of social labor. It is self-evident that the necessity for this kind of allocation of social labor according to specific proportions, that it can be altered, but not abolished, under certain forms of social production, is simply a matter of the form in which it manifests itself. Natural laws are fundamentally incapable of being abolished. That changes in such laws may occur under different historical conditions, is simply a matter of these laws assuming forms in which they may be carried out,

and under the social system in which the intercourse of social labor is embodied as the private exchange of the products of individual men's labor, the form which is assumed by this proportional allocation of labor is in fact the exchange value of these products." ("Selected Works of Marx and Engels," "To L. Kugelman," Vol 4, p 368) We quote this statement to illustrate the point that it is a general economic law that the proportional allocation of social labor exists in all societies. At certain stages of social development, this law exists in its original, natural form. In the primitive clan society, the clan's organization, or its chieftain, could directly decide whether the amount of labor at the clan's disposal was to be allocated to the raising of pigs, the gathering of food, or the making of tools, or to other activities. The state of affairs in the manor of a slave-owner or a feudal lord or in a small farming household, was broadly similar to this. But at other stages of social development this law appears in forms which differ very widely from its original aspect. The law of value is the form in which the law of the proportional allocation of social labor appears under the conditions of a commodity economy. What is meant by the often mentioned regulation by market mechanism is in fact the regulation of the law of value.

Actually, labor can be allocated proportionally because the total amount of labor is already known. In a natural economy, the total amount of labor available to the lord or a feudal manor or to the head of a small farming household is crystal clear to them, and thus it is a very simple matter for them to decide the proportional allocation of labor accordingly. However, in a commodity economy, because the entire social production is carried out by innumerable producers who are cut all off from one another, the total amount of social labor available is unknown to any single producer. Nevertheless, social labor is still allocated according to proportions; it is just that these proportions are not directly determined by any nodal point in the society, but are formed as part of a spontaneous social process. The aim of commodity production is exchange value, but whether the amounts of labor expended on individual commodities can be accepted by the society, that is, whether the commodities can be sold in accordance with their values, must depend on whether or not the amount of these commodities corresponds to the amount of social need for them. To put it in another way, it depends on whether or not the total labor expended in the production of these commodities makes up a fitting portion of the total amount of social labor. The producers of the commodities are unaware of the total amount of labor, and they also cannot know whether the amount of labor expended on one of these commodities is excessive or insufficient in comparison with the portion of the social need form corresponding to that particular commodity. They only know whether or not the sale of a certain kind of commodity can recoup the expenditure incurred in producing it, and whether or not it is worthwhile. In effect, this is a comparison of the expenditure of labor for one individual product with the society's essential expenditure of labor. If the individual amount of labor is less than the amount of essential social labor, then the commodity is worthwhile; if the reverse is true, then it is not worthwhile. The amount of essential social labor is invisible; what can be seen is its manifestation in monetary terms, that is, its price. The direction and scale of production of every producer of commodities are

determined in accordance with the conditions of fluctuation of prices, and this also determines whether production is expanded, reduced, halted or transferred. Activities of this kind on the part of innumerable commodity producers converge to form a social process.

In order to render the labor they use on each commodity less than the average of essential social labor, commodity producers will, of necessity, think of all kinds of ways to economize on the expenditure of labor; if one producer saves on labor, other producers will also strive to economize on labor, and the result of everyone economizing in this way will be the increase of labor productivity in certain departments. The raising of labor productivity means that the same amount of labor can produce a greater use value or, conversely, that the same amount of use value can be produced with a relatively smaller amount of labor. The effect of raising labor productivity is equivalent to increasing the total amount of social labor, and it results in a fresh determination of the proportional allocation of social labor. This is to say, that the share in the total amount of social labor taken by the amount of labor originally required to be expended on this particular commodity is no longer appropriate, that it is no longer equivalent to the total amount of essential social labor required for the manufacture of this product. If no alternation is made, the individual product cannot be exchanged in accordance with the essential social labor, that is, in accordance with value, and this is manifested in the fact that the price of this commodity is far removed from its value. In fact, this state of affairs will continue to exist unchanged, and it is when a deviation occurs that fresh allocations of social labor will begin to take place.

When discussing how to bring about the proportional allocation of social labor, in his analysis of the commodity economy, Marx wrote: "If we say the use value of a specific commodity depends on whether or not that commodity fulfills a need, then the use value of the total amount of products of a society will depend on whether or not this total amount corresponds to the society's needs for specific quantities of each particular kind of product, and thus on whether or not labor can be proportionately allocated to different fields of production according to the social need for these specific quantities.... Here, social needs, that is use value on a social scale, is a significant factor in determining the share of the total working time available to the society which will be given over to particular individual areas of manufacture. But this is still only the same law which has already manifested itself in individual products, namely that a commodity's use value is a prerequisite for its exchange value, and thus also a prerequisite for its value." ("Das Kapital," Vol 3, p 716)

As a consequence of the basic characteristic of the commodity economy, that the producers are not only cut off from one another but also dependent on one another, the total amount of social labor is expended piecemeal by the innumerable independent producers, and the object of each producer in expending labor is the creation of exchange value. Commodity producers always aspire to obtain the greatest possible use value, and the largest possible amount of money. But if the amount of labor expended on a certain commodity

exceeds the amount required by the need form, that is, if the correct proportions for the allocation of social labor are lost, then it becomes impossible to fully realize the aim of producing exchange value. Since a commodity's use value is, in the final analysis, a prerequisite for its exchange value, a society's need form ultimately constitutes an objective provision which is not transformed by the will of every individual producer of commodities. When the proportion of the allocation of labor and the need form approach unanimity, then, since it is capable of successful realization, exchange value appears to be a thing which overshadows all else. But when the two drift apart, and the correct proportions are lost, then the decisive significance of use value as a prerequisite for exchange value becomes clearly apparent. The natural instincts of commodity producers determine that the only thing they keep in mind is exchange value; their independence, and the fact that they are cut off from one another makes them incapable of directly understanding the proportions for the allocation of labor in the society as a whole. However, in order to achieve exchange value, it is essential to show concern for use value. Because of its loss of the correct proportions, this kind of production which strives blindly after exchange value can never achieve, or can never fully achieve, the creation of exchange value, and inability to achieve exchange value means catastrophe for the commodity producers. In order to survive, and to expand, in short to further their own interests, they will take objective action to ensure that the proportions tend in the right direction. The effect of this social process, whereby things are brought into harmony and then allowed to slip back again, and then brought into harmony once more, is that a whole series of contradictions has sprung up in use value and value, individual labor and social labor and so on.

"If a commodity is to be sold in accordance with its market value, or, in other words, if it is to be sold in accordance with the necessary social labor contained within it, then the total amount of social labor expended on the total number of this commodity must correspond to the amount of social need for this commodity, that is, it must correspond to the amount of social need which is capable of being paid for." (Ibid, p 215) "The numerical limitation of the proportion of the time of social labor which may be used in all the various areas of production is nothing more than the expression of the further expansion of the overall law of value." (Marx: "Das Kapital," Vol 3, p 717) It may be said that the law of value is thus the law of the proportions of the allocation of social labor as regulated by value, and that value is the actual beneficial relationship. While saying that the law of value is the law of the proportions of regulations, we must be sure to point out that the regulation of proportions is effected by means of the balancing of interests. The loss of proportions must necessarily affect the balance of interests, and interests will only be in harmony when they achieve balanced proportions.

In discussing the law of value, Marx and Engels often make use of the words of the classic English economist, Adam Smith, saying: "These relationships, just like the gods of destiny in ancient times, hover free and unfettered above the earth, distributing good and evil fortune among men with their unseen hands." ("Complete Works of Marx and Engels," "The State of the German Consciousness," Vol 3, p 40) This talk of hands distributing good and evil

fortune is simply a metaphorical way of describing the proportional regulation and the balance of interests according to the law. In a natural economy, since the proportions are decided directly and consciously, the law of the proportional allocation of labor may be compared to visible hands, like the hands of a tribal chieftain or the hands of the head of a family or a lord of a feudal manor.... By the time we arrive at the commodity economy, all the real relationships have become completely different; the law of the proportional allocation of social labor finds expression in the form of the law of value, which is like an invisible hand. In fact, in the commodity economy, there are innumerable hands, belonging to the manufacturers of commodities, all reaching out in different directions, in order to grasp their own particular interests. The myriad forces, originally at cross purposes, eventually even themselves out into an overall mean, and coalesce to form a pooling of efforts. In other words, the multitudinous visible hands have become a single invisible hand. Even though each individual hand may strive after its own particular interests, yet none of them can rid themselves of the controlling power of that one invisible hand. Thus, every manufacturer of commodities must, willy-nilly, make the law of value the basis for all his activities. If he complies with and acts in accordance with the law of value, then he will be able to prosper and thrive. But, if he violates or ignores it, his business may shrink and wither away. This, then, is the good and evil fortune distributed to men by that invisible hand.

The above analysis may be summed up as follows: Under the conditions of a commodity economy, the law of the proportional allocation of social labor is expressed as the law of value, which is also the law of the regulation according to value of the proportions of social production. Two important points must be kept in mind here: the value of an individual commodity is determined by the average amount of social labor which is expended in the production of this commodity; the value of an individual commodity can only show itself when the amount of labor expended in the production of a particular kind of commodity, expressed as a proportion of the total amount of social labor, corresponds to the social need form, and constitutes the total amount of social labor required for the production of this type of commodity. This is, in fact, the dual significance of the necessary social labor.

Since the 1950's, this way of looking at things has, without fail, been used by economists in China: the law of value is the law which states that value is determined by the amount of necessary social labor. Some economists add one more point, that is, that commodities should be exchanged according to their values.

Even among those comrades who explain things in this way, there are a few divergent opinions. One of these opinions says that the law of value is the determination of value, and that it is limited solely to the determination of value. This explains only how value is determined, and does not cover the problem of the expression of value; the result of this is to dismiss the process of the flow of commodities, and to see it as having no relation to the law of value. In fact, this means not gaining a clear understanding of the second meaning of the amount of necessary social labor.

The second of these opinions maintains that looking at things from the viewpoint of the determination of value is basically correct, but that it is not complete, because it explains the law of value only in its static posture. The explanation can only be considered complete when it also takes into account the relationship of changes in supply and demand with price fluctuations, which is in fact the law of value in a state of movement. However, the determination of value itself is certainly not static, because of changes in labor productivity, and because the amount of necessary social labor which must be expended in the production of individual commodities is also subject to fluctuations, and this means that to sum up the law of value by using the states of being at rest or in motion is not very precise. What is more important is that this opinion, although it covers the process of the flow of commodities, does not, nevertheless establish any relationship between market supply and demand and the proportions of labor allocation, and this really means that it lacks a clear understanding of the second meaning of necessary social labor.

Most recently, some comrades have gradually inclined toward a third opinion, namely, to admit that there are two sides to the amount of necessary social labor. While this has already progressed beyond the traditional statement of the determination of value, it nevertheless still adheres to this statement in its approach. It must be made quite clear that the determination of value can in no way include the realization of value, and that that necessary social labor which determines the value of commodities in fact constitutes the first meaning of necessary social labor. Only through a further investigation of the realization of value, which will bring into the discussion such problems as the proportions for the allocation of labor and need forms, can we arrive at the second meaning of necessary social labor. And explaining the dual significance of necessary social labor is equivalent to casting aside the approach which states that the determination of value is the law of value.

The summing up of the law of value as the law of the determination of value was in fact not a thesis advanced by Marx himself. In Volume 1 of "Das Kapital," Marx indeed produced the definition of the amount of value as being determined by the amount of necessary social labor, but this was in reference to the concept of value and not to the law of value. Only in the overall process of analyzing production, after he had investigated the process of the flow of commodities, did he fully expound upon and prove the law of value. In Volume 3 of "Das Kapital," he wrote: "If this distribution of labor is carried out according to proportions, then different products are sold according to their values (later developed to read: according to their production prices), or they are sold according to prices which are fixed in this way, and these prices represent the distortions, determined by normal laws, of these values of production prices. In effect, what is affected by the law of value is not the respective commodities or goods, but is generally the total product of specific areas of production, rendered independent of each other through the division of labor; for this reason, it is not only on each commodity that no more than the necessary working time is expended, but also that only the necessary proportion of the society's total working time is expended on the various different kinds of products." ("Das Kapital," Vol 3, p 716) It should be said that Marx' statements on the law of value are

scientific and penetrating. Through a series of categorical analytical deductions, he has in fact opened up for us a lively prospect of the process of the regulation of the social economy by the law of value.

Throughout its several hundred years of dominance of economic life, although the law of value has continually had to renew its regulatory function after undergoing unceasing, and even very serious, disruptions of its balance, it still plays a great historical role in the advance of mankind's material civilization. Marx described it in the following terms: "Time and time again, this law has rudely forced the capitalist classes to change their old ways, and has, moreover, forced capital to increase the productive forces of labor, because it had already increased the productive forces of labor in the past; this law does not permit capital to relax for a moment, but always exhorts them: Advance! Advance!" ("Selected Works of Marx and Engels," "Hired Labor and Capital," Vol 1, p 375)

The determination and realization of commodity values is a spontaneous social process, and this process is in fact the process in which the innumerable producers of commodities compete with one another. The law of value is inseparable from competition. The view which holds that a law of competition exists independently outside the law of value understands the law of value as merely the law of the determination of value, and maintains that it exists only within the productive process, and that the area of the flow of commodities is governed by the law of competition. If we look at things in this way, it is difficult to clearly grasp the true nature of the law of value.

During the periods when it has dominated completely the economic life of society, the law of value has, because it possesses this characteristic of competition, brought forth for men a rapidly changing world, full of bustle and activity. In men's eyes, this was seen as the grappling, fighting and struggling of the countless commodity producers in the whirlpool of competition. In order to develop, and in order to survive in the midst of development, they had to make the greatest possible efforts, and think of all kinds of methods, to expand their capital, to increase their reserves and speed up turnover; they had to continually improve their equipment, raise the level of technical skills, and make use of the newest technology; they had to strengthen production organization and improve management and administration. In this way, "everyone's whole energies became strained to a very high degree." ("Complete Works of Marx and Engels," "The State of the German Consciousness," Vol 3, p 68) Men paid attention to always preserving a state of excitement. All slackness, idleness, lack of enthusiasm and holding back were incompatible with the pace and rhythm of the society's economic life, and what was striven after was economy in time and the increasing of efficiency. The rapid expansion of the scale of production was determined by the law of value, and the productivity of labor continually increased. The law of value also ensured that the producers kept on forging ahead enthusiastically, advancing with all speed, since, if they did not do so, they might well be in danger of starving, of being forced out of business, or coming to their ruin. "This is the insane transference from the natural world to the midst of society of the Darwinian struggle for survival in a intensified form." (Ibid, pp 67-68)

However cruel and merciless this might appear, history nevertheless advances within this kind of merciless law. Competition has caused the productive forces created by mankind in the modern era to far outstrip those created in the previous few thousand years. At the same time, the increase of man's knowledge and technical skills has reached a new level which simply cannot be compared with that of medieval times.

Nevertheless, in the view of some upholders of feudalism, since there is no fierce competition, no violent fluctuation and no harmful rivalry in a natural economy, it is just like a peaceful and carefree pastoral melody, and is thus the most moral and most beautiful society. However, this very peace and tranquillity is a manifestation of the painfully slow development of production, and explains why the natural economy is more backward than the commodity economy. Conversely, precisely that competition between the producers of commodities makes clear the speed of the development of the social forces of production. Thus, in comparison with the direct allocation of labor in the natural economy, the regulation imposed by the law of value represents a great advance.

All that has been discussed above is purely and completely concerned with regulation by means of the law of value within the commodity economy, and all that accompanies it is entirely free competition. It may be said that the proportions of social production in the early stages of capitalism were formed of their own accord within this kind of typical regulation by market mechanism, and that the law of value is the only regulator of the proportional relationships. But, after World War II, and especially with the impetus given by the third scientific and technological revolution, vast changes came about in the conditions of the world economy. There was a huge increase in the level of socialization of production, and there was a very clear strengthening of the role of the state in the economy. At present, the state of affairs in which the entire social production is regulated purely by market mechanism is already becoming increasingly uncommon in the advanced capitalist countries, and attention should be paid to this point. Even though this is the case, it is still necessary to have a full understanding of the manner in which the law of value regulates social production, as well as of its historical role. This understanding is so vital because, although the socialist commodity economy which we wish to bring into being at our present stage possesses qualitative differences from the capitalist economy. Yet the law of value will still be required to perform certain regulatory functions.

3. Complete Planned Regulation

The law of value is only a regulator of the commodity economy. After the demise of the commodity economy, the proportional allocation of social labor will never again be manifested in regulation by means of the law of value. The classic Marxist authors envisage that, when the productive forces have reached an extremely high stage of development, when the socialization of production has been raised to an extremely high degree, and when society is no longer divided into separate parts with different interests, then labor will be capable of being integrated throughout society as a whole. The labor of each individual person will exist as a part of the total labor

of the society, and society will directly allocate labor, just as if it were its own organs, not having to rely on commodity currency or to pass through the tortuous channels of value. The society of that time will clearly be aware of, and will moreover have firmly grasped hold of, the entire labor force, and will thereby understand the social need forms conditioned by the total amount of social labor. The proportions of social production will not be fixed unconsciously. This is thus planned regulation in its pure sense.

As has been stated above, within an economic body in the natural economy, because the amount of labor is already known, labor is allocated in a conscious way. In a certain sense, even this may be considered to be a kind of planned regulation in a primitive and natural form. What is presently considered to be planned regulation is a concept which is connected with socialized large-scale industrial production; there should be no doubt at all on this point. Nevertheless, in order to clarify the true nature of the facts, this should not prevent us from saying that the planned regulation in the future society will, in historical terms, be a reemergence, on a societywide scale, of the direct allocation of labor which occurred within a natural economic unit. Thus, all the most basic criteria for planned regulation in its fullest sense were already contained in the process for the allocation of labor of a clan or of a household. Of course, when all is said and done, these two things are not on the same level at all, and in comparison with the latter, the former is a much broader and much more complex concept.

The planned regulation discussed in the scientific socialist literature mentioned above is planned regulation which directly allocates labor, and which is not connected with value. But, when matters are considered from the point of view of the actual course of the world proletarian revolution, the original level of economic development in all socialist countries was not very high, and China, in particular, was an extremely impoverished and backward country when it achieved victory in the revolution. Thus the basis and the necessary conditions for implementing complete planned regulation simply were not in existence. But because of complicated historical reasons, we did not come to understand this point for quite a long time, and cut ourselves off from the real state of the productive forces; by the imitation of foreign models, as well as the mixing in of some of the methods we ourselves had used during our years of struggle, we eventually established an entire planned economic set-up, which, it was claimed, possessed a high degree of centralization and unification. As far as the form of planning used in this set-up was concerned, its characteristics may be summed up by saying that it was planning of an all-embracing nature, which controlled things in an autocratic way. For many years in the past, we were accustomed to believing that planned regulation was, and should be, carried out in this form. But now, having begun to analyze things, it would appear that there are many problems in this method of going about things.

Since the planned regulation discussed by the classic Marxist authors is a regulation which does not take into account the value of commodities, and which acts as the sole regulator of social production, it does not admit the existence of regulation by market mechanism. The overall planned

regulation which we have been practicing for a long period also basically excludes the market mechanism. In this respect, the two kinds of regulation have certain similarities. In fact, however, it is impossible for us, at our present stage, to abolish commodity currency; here, the most important problem lies in the fact that, to a great extent, the commodity currency in our actual lives does not yet constitute a relationship of economic benefits, and is used rather as an accounting tool, as a counting tally. This also means that it does not exercise a regulatory function on social production. Although the plans produced by the state contain some directives on value, yet the balance around which the national economy revolves is one which emphasizes material objects and pays little attention to value.

Looking back on our former economic practices, there are many lessons which we should conscientiously draw from our experience. Among these, there is one in particular which merits careful consideration: in the many years we have been implementing a planned economy, why is it that we have not been able to effectively ensure the balanced development of the economy, and that losses of proportion are continually occurring? Of course, many different factors are involved here, but it would seem that the fundamental reason for this is still to be found in the planned economic set-up which we have been implementing. Here it must be stressed that we are not making a sweeping indictment of regulation by planning mechanism. The conscious control of the economic activities of the entire society by means of precise planning, without the occurrence of the slightest lack of realism, this is the marvelous future prospect for the advance of humanity, and is also the rational trend for society's development. However, if at the present relatively low level of development of the productive forces we insist on bringing into an all-inclusive system of planning a vast number of production units with great differences in their economic and natural circumstances, and on directing their progress by means of noneconomic measures, then this kind of regulation by planning mechanism may well turn out to be not quite so wonderful and rational. This point has already been proved by the real facts of the situation.

What has been said above may be summarized in the following way: in conducting research into regulation by planning mechanism, it is essential to have a clear understanding of the necessary material preconditions for complete regulation by planning mechanism, and it is not possible to talk unconditionally and abstractly about whether this kind of regulation by planning mechanism is superior or not, whether or not it should be put into practice; we still need to think about the problem of whether or not it is possible to implement it. If we are forced to carry out complete regulation by planning mechanism under circumstances which are not favorable for the implementation of that system, and if practice once more proves that it is not yet playing a positive role in sustaining the national economy and in increasing its coordination, then we should persist in carrying out reforms, and break down the ossified state in which regulation is carried out by relying solely on one overall plan, and we should strive to discover a form of regulation which will be more rational and more flexible in our present stage of economic development.

4. The Integration of Regulation by Planning Mechanism With Regulation by Market Mechanism

What kind of regulatory system is appropriate for China's present stage of economic development? In the last 2 years, during the deliberations on the reform of the economic system and the carrying out of a number of experiments in this field, the general consensus of opinion has been to favor the integration of regulation by planning mechanism with regulation by market mechanism. In actual fact, the implementation of a small amount of regulation by market mechanism has already begun, and generally speaking the results of this have been very good. We believe that the further implementation of a system of regulation combining planning and market mechanisms is really the direction that must be taken by economic reform. In order to explain this point, it will be necessary to carry out a certain amount of analysis of the intrinsic characteristics of our social economic formation.

Our country's economic form has been in the past, and will be for some time to come, a socialist commodity economy. This is a kind of advanced commodity economy which excludes the labor force as a commodity. Because of this exclusion of the workforce as a commodity, the nature of this commodity economy is no longer a capitalist one, having superseded the workforce as a commodity and replaced it with the exchange of labor. The exchange of commodities of equal value and the exchange of equal amounts of labor have coalesced to form a single system. The exchange of commodities of equal value and the exchange of equal amounts of labor which have coalesced to form a single system in this way, necessarily do not exist in their complete and pure forms. The unification of these two things is in fact the basic characteristic of the socialist commodity economy.

It is in fact this very characteristic which determines the integration of regulation by planning mechanism with regulation by market mechanism.

In the second section of this article it was stated that, in the typical commodity economy, that is, in the capitalist economy, proportions were spontaneously formed under the operation of the law of value. The law of the proportional allocation of labor is far older than the law of value; the law of value is born and dies at the same time as the commodity economy, but the end of the commodity economy does not mean the disappearance of the law of the proportional allocation of labor; what disappears is merely the lack of realism, the violent fluctuations and the cyclical crises which accompany the law of value. However, labor must still be allocated according to proportions, only here the allocation is carried out directly and consciously by the society, and hence is carried out in a planned way. If it is said that regulation by market mechanism is synonymous, in terms of function, with the action of the law of value, that it responds, in a tortuous way, to the objective requirements of the law of the proportional allocation of social labor, then, provided that this most general law does not assume any different form, its requirements will also be straightforwardly reflected within regulation by planning mechanism.

In the third section of this article, it was stated that the reason why complete regulation by planning mechanism was capable of being put into practice was that, since the society-wide integration of labor had been put into effect on the basis of production at a high level of socialization, the society was no longer divided into economic bodies having conflicting interests. In the statements made by Marx and Engels, the state of affairs is called communist society. However, in the first stages of communism, although bodies with conflicting interests have been eliminated, and although the whole of society has transformed itself into an integrated body, nevertheless among the labor carried out by men it is still possible for skilled and unskilled labor to exist, and in particular it is possible for a distinction to exist between complex and simple labor. Precisely because they foresaw this, the classic authors maintain that, in the first stages of communism, socioeconomic relationships will consist of the relationship of the exchange of equal amounts of labor. Compared with the higher stages of communism, where man's freedom will have attained its full development, the exchange of equal amounts of labor can scarcely avoid containing traces of exchange at equal values, but in the final analysis it represents a great advance over the exchange of commodities of equal values. The most important quality of the relationship of commodity value lies in the fact that it has eliminated the differences in the ownership of production, and that it has caused the producers of commodities, that is, the owners, to be superseded by a common body of integrated labor on a scale which encompasses the whole of society. Since it aims at the conversion of quality into quantity, the exchange of equal amounts of labor still admits to differences in labor, but no longer admits to differences in ownership. This is to say that abstract labor still has significance, but that value no longer exists; that the exchange of equal amounts of labor has already become the direct exchange of labor, and no longer has to pass through the material stage. And the direct exchange of labor means the direct allocation of labor; this is the very essence of the concept of regulation by planning mechanism. Thus we may say that the exchange of equal amounts of labor requires the implementation of regulation by planning mechanism, and also makes possible the implementation of regulation by planning mechanism. Of course, if we speak of regulation by planning mechanism in its overall sense, there are still differences between the first stages and the higher stages of communism, and the conversion of the quality of labor into quantity causes difficulties in society's understanding of the total amount of labor, which includes not only material labor but also living labor, and may thus affect the preciseness of the regulation of this labor.

This being the case, to establish a complete and pure relationship of the exchange of equal amounts of labor requires complete regulation by planning mechanism, and so, if the relationship of the exchange of equal amounts of labor appears in an incomplete and impure form, then the possibility of implementing tentative regulation by planning mechanism will correspond to this form. As was stated above, the socialist commodity economy is the fusion of the exchange of equal values and the exchange of equal amounts of labor. In the pure exchange of commodities of equal values, proportional regulation depends on the market; in the pure exchange of equal amounts of labor, proportional regulation must rely entirely on planning. And if the fusion

of the exchange of commodities of equal values and the exchange of equal amounts of labor comes about when these two phenomena are in their impure forms, then the situation becomes far more complex, there can be no complete regulation by market mechanism; nor is it possible for everything to be regulated in a planned way. Only when there is an integration of regulation by planning mechanism and regulation by market mechanism can the basic characteristics of the socialist commodity economy achieve a complete expression.

It is possible to speak rather more specifically. An important form of the socialist commodity economy is the state-owned economy, (in some socialist countries, the state organizations are distinct from the economic centers, and so this is not called a state-owned economy; an example of this is Yugoslavia's social ownership system); under the precondition that a distinction is made between state ownership and ownership by enterprises, every production unit in the state-owned economy is an integrated body made up of a section of the workers, and the implications of this relative independence are different from those of the complete independence of private capital. The enterprise independently controls its labor and the material conditions necessary for production, and this means that it is the possessor of social funds, and that it may independently move its own funds about and multiply those funds in the process of movement. However, the possessor of the funds is the state (or the society). The state acts as the all-embracing body of the state-owned economy and, because [word indistinct] understanding of the total amount of funds, it is able to know, in broad terms, the size of the amount of labor--we must remember that this is /in broad terms./ (in boldface) This is because the amount of funds is not equivalent to the amount of labor, and an assured amount of funds is still quite a long way from an amount of labor which is assured of having a certain level of labor productivity. Here, we have not yet taken into account the fact that the collective economy, as well as other economic forms, although they are outside the state-owned economy, nevertheless exists simultaneously with it, and this undoubtedly requires consideration. Thus, the problem becomes even more complex, and so, in relation to the total amount of social labor, as well as the social need forms conditioned thereby, the state is aware, and can only be aware, of a probability. Regulation by planning mechanism is most importantly expressed in macroscopic terms, and is planned regulation of a tentative and strategic nature. This is one aspect of regulation by planning mechanism.

Another aspect is that the status of commodity producers in enterprises consists of their right to control the means of production which they possess, and in the fact that they can control the labor which is gathered together in their respective enterprises. The whole of their products are commodities, and are exchanged according to their value, and each enterprise has to make a comparison between its expenditure of labor and the social average of necessary labor. Thus the function of the law of value must still be brought into play.

As a matter of fact, in a pure commodity economy, all interests are the private interests of all the individual producers of commodities, and "the common interest exists only among the selfish interests of many

different parties," (Marx: "Outline for a Critique of Political Economics (draft version)," Section 2, People's Publishing House edition, p 10), and so it is an illusory thing. In the integrated labor of the entire society, interests mean the individual interests of the workers, and at the same time the interests of society; the interests of individuals are united with the interests of society. Of course, under the conditions of the exchange of equal amounts of labor, since abstract labor still possesses a certain economic significance, it is still not possible to equate private interests with the interests of society. But the socialist commodity economy is a different form altogether. Within that form, interests are manifold; there exist the individual interests of the workers, the interests of the production units and the overall interests of the state-owned economy, and soon, production of a commodity nature determines that each producer of commodities will have his own interests. The interests of production units acting as producers of commodities are also in fact the collective interests of the workers within this integrated body. Among the different production units, there will be dissimilarities between the interests of this or that section of workers, but the interests of the workforce as a whole possess a certain aspect of unanimity. The common interest of this society is no longer an illusion, and now has real content. Naturally, the interests of the production units acting as the producers of commodities hold an important position among all the many and varied interests. These interests constitute the attaining of exchange value. But, equally important, the interests of the production units are also the common interests of the workers, that is, they are the embodiment of the workers' interests. The individual interests of the workers consist in recouping, in a different form, the amount of labor which they have expended. Their labor is given over directly to the production unit, and the realization of the amount of labor depends on the value created by that labor, that is, on whether or not the value of the whole of the production unit's products can be realized. The value of the production unit's products is also conditioned by whether or not the proportions of socialist production are coordinated. If the proportions are coordinated, this can enable the workers to receive returns approximately equal to the amount of labor which they have expended, after that labor has realized the value into which it is transformed, and the implementation of the integration of regulation by planning mechanism with regulation by market mechanism will assist the national economy to continually and consciously maintain a balance, thereby serving the interests of the state, the collective and the individual. In other words, the integration of regulation by planning mechanism with regulation by market mechanism, through this very coordination of the three different interests, gives expression to its function of regulating the proportions of social production. In basic terms, this kind of regulation is also the reason for the existence of the law of the proportional allocation of social labor. However, if this fundamental characteristic of the socialist commodity economy, the fusion of the exchange of equal values and the exchange of equal amounts of labor, does not exist, then it is even less likely that the law of the proportional allocation of labor will be manifested as the integration of these two essentially contradictory forms of planning: the conscious and direct, and the spontaneous and tortuous. Thus, in this sense, the creation and development of the integration of regulation by planning

mechanism with regulation by market mechanism are suited to an overall system in which the relations of interests are at once multifarious and united, that is, they constitute the inevitable trend for the normal activities of the socialist commodity economy.

Now, how are we to go about the implementation of regulation while the integration of planning with market mechanisms is taking place? There has been considerable discussion of matters relating to this aspect for well over a year now, but it appears that we have not yet arrived at a clear explanation of what the basic characteristics of a system of regulation would be under this pattern of integration. But we may consider things in this way, that this kind of regulatory system will exclude the existence of a certain amount of regulation by planning mechanism in something approximating its pure form. This will be expressed as the implementation of planning, in the form of directives, by the state in respect of a small number of economic units, and a small number of important products. These units will generally be state-owned and run directly by the state; they will be, almost without exception, on a very large scale, and will have a very broad scope; they will be closely linked to the national economy and the people's livelihood, and will include the railroads, the postal services, air transport and other large-scale enterprises, as well as engineering and scientific research projects. At the same time, it does not exclude a certain amount of regulation by market mechanism in a relatively pure form. Thus, for example, the production carried on, and the services provided, by certain individual operators in industry and commerce, as well as such things as the country trade fairs, aside from their being subject to the restrictions imposed by state decrees and rules and regulations, will in general receive very little direct intervention in the form of state planning, and will have a relatively high degree of freedom. Neither relatively direct regulation purely by planning mechanism nor relatively direct regulation carried out purely by means of market mechanism will take up a large proportion within a national economy; they will be subordinate to the centralized system of regulation formed by the integration of the planning and market mechanisms, but they will not be the typical forms which this regulation will assume. The typical form of the integration of regulation by planning mechanism and regulation by market mechanism will include large-scale and wide-ranging activities within the socialist commodity economy, and its basic characteristic may be said to be that it consciously depends on the law of value to direct economic activities or, in other words, that its planning is brought to realization by means of market mechanisms. If, more specifically, we wish to find a significant indication of where the integration of regulation by planning mechanism and regulation by market mechanism differs from their regulatory systems, then this might be said to be the guiding nature of planning.

It is evident from research into socialist economic theory, both in China and abroad, as well as from the economic practice of several socialist countries, that, in a socialist economy, central planning on a nationwide scale is something which must under no circumstances be reduced. As has been stated above, because the state understands, in broad terms, the total amount of social labor, the major proportional relationships within the national economy are directly determined by the state. These major proportions reflect the macro-economic activities of the society, and, from the macroscopic angle, that

the state assumes overall authority, and also encompasses the direction and pace of the movement of the entire economy. These major proportions which we have referred to generally include the proportions of two categories of the most basic industrial structure, and these are: the distribution structure, for example, the proportion of accumulation and expenditure, and also such things as the technical structure, the investment structure and the employment structure. Of course, a relatively large amount of research still needs to be carried out into the determination of the relative significance of the various proportions, but it is at least possible to consider the matter in the following way: as far as all those proportional relationships are concerned, which affect the national economy as a whole, and which, if they are disrupted, may bring about vast fluctuations, or even chaos, in economic activities. They must be controlled by the state, because all the various economic organizations at lower levels lack both the high level and the breadth of vision to gain a complete grasp of the entire situation. Thus, state planning resembles a rough sketch of the broad outlines of the national economy's prospects; it is basically a thumbnail sketch. This principle of planning should be even more apparent in the state's medium and long-term programs and plans.

The state has made known its overall view of economic development, and has decided on its general objectives, or, to put it another way, it is implementing its policy decisions on the major proportions. However, there has been no further explanation of how these things are to be brought to fruition, and the problem of integrating regulation by planning mechanism with regulation by market mechanism has yet to be fully clarified. What is of key significance is that state planning does not mean the handing down of administrative decrees to all levels, nor the adoption towards enterprises of noneconomic coercive means. This is because enterprises are not subsidiaries of all the various levels of the state administrative organizations, but are relatively independent producers of commodities. State planning plays a guiding role with respect to enterprises, and certainly does not possess any power of restraint. Enterprises are permitted to control such aspects of their economic activities as production, circulation, distribution and so on; they may make independent responses to changes in their markets, and they may decide to expand, cut back or transfer their production, and may conduct joint ventures, according to their own particular circumstances; in short, they possess a fairly high degree of autonomy. It may even be said to be the case that these innumerable enterprises, both large and small, follow their own orbits within the overall system to which they belong, just like the planets revolving around the sun. As far as direction is concerned, all their policy decisions are at one with the overall objectives of the national economy. Although the state does not carry out its macroeconomic organization by issuing decrees from on high, which then filter down to the lower levels, it nevertheless still transmits these important messages, through suitable channels, or by suitable means, to the network formed by all the various economic organizations. Thus, for example, it will send out planning schemes for consultation, or, at specified times, it will publish information and scientific data of an important nature, so that enterprises can link up their own operations, in an organized fashion, with the state's tentative plans. But this alone is not enough; what is even more important is that the state should make use of a whole series of profit categories, related to value, in order to attract and encourage enterprises

to cause their economic activities to fit in with the intentions of the state's planning. Conversely, the respective microeconomic activities of the innumerable enterprises will also be able to put right some things contained in the state's plans which may not conform to the objective requirements of economic development. In this way, the proportional relationships as they are expressed in real economic life, can in general be made relatively harmonious, which will assist us to use to the full natural, economic [word indistinct] resources, and to gain sound economic results. Here, the skillful use of economic levers will be of the utmost importance.

Regulation by means of price levers. The reason why price is an important lever for regulation is that there is an inevitable connection between price and the law of value. In the second section of this article, we said that, in a market economy, regulation of proportions by the law of value was carried out by means of a balance of interests. Whether or not the producers of commodities can attain their goal of realizing the value of commodities depends on whether or not the labor expended on the production of the commodities corresponds to the proportions, and the only indicator which can help men to grasp this point is market price. As a result of this, the regulation carried out through the law of value finds expression in the fact that the innumerable producers of commodities are under the servitude of prices, and they rush around everywhere at the beck and call of prices. Value itself is invisible; what can be seen is merely the prices which fluctuate around value, or around its transformed pattern, production price. If there is no one to plan the proportions, then the scenario of the pure commodity economy will be enacted day after day, in which the proportions objectively carry out their adjustments of their own accord, with balance being gained and lost, regained and lost anew, in a cyclical fashion. In the socialist commodity economy, if the situation is altered, from one in which the proportions are formed of their own accord, to one where there is conscious planning of the proportions, but if the state carries out intentions of its plans simply by means of issuing directives, it will never achieve its objectives. If there is clearly a surplus of certain things, they will continue to be produced; on the other hand, the production of certain things which are in seriously short supply will never be increased. In this kind of situation, the role played by price is simply that of a unit of measurement, and it will possess only the most tenuous links with the question of profits. As a result, it will always be very far removed from value, and will also have no connection with market supply and demand. Strictly speaking, this kind of price does not belong in the category of profits, and does not have the function of a lever for regulation. The true nature of that price which acts as a lever for regulation is that it is a price which reflects value, and its function of flexibility, while at the same time being continually centered upon value, is determined by the special features of the movement of value. Here, the process of the creation of price is extremely important. Prices, whether of the means of production or of the means of subsistence, should, for the most part, be determined through market competition, and should be allowed to fluctuate as required. The state controls the prices of a certain number of important goods, and also carries out appropriate adjustments, using data on national and international markets as a parameter. What is the meaning of using value levers? In plain terms, it does not mean that the prices of thousands of different kinds of commodities are to be centrally fixed by

the state, but rather that various different sorts of prices, such as those for which the state implements centralized stipulations, those which are permitted to fluctuate to a certain extent, and those which are basically freely decided, are all integrated to form a complete system of prices. Generally speaking, if the supply of a certain commodity is insufficient to meet the demand for it, or if the supply is greater than the demand, then this will very quickly be reflected in the price of the commodity, and will thereby affect enterprises' decisions on whether to increase or decrease production. When it becomes necessary to implement relatively large-scale adjustments to the structure of the national economy, or to initiate vigorous expansion or powerful limitation in a particular aspect of research or production, then the state may raise or lower the relevant prices, or revise the upper or lower limits for floating prices, and thus provide stimuli or guidance so as to attain the goal of rapidly developing the national economy in a coordinated way.

Regulation by means of tax revenue levers. Tax revenue is part of the realm of state finance, and an extremely important way in which capitalist countries intervene in the economy is through financial policy, that is, through their policies on financial income and financial expenditure. Because they aim at staving off the dire predicaments in which their economies often find themselves, the financial policies of the capitalist classes, with Keynesian macroscopic analysis as their theoretical basis, are in the main policies for the regulation of overall demand, and do not affect the disposition of natural resources. (In order to solve problems in this field, they are also conducting research into, and even implementing, the putting into microeconomic form of financial policy.) In our socialist commodity economy, there is no so-called effective lack of demand, and no reliance on budget deficits or on inflation to stimulate the economy or to overcome crises, but, all the same, state regulation of the economy is still necessary, and in particular the regulation of the proportional relationships. Let us take, first of all, the role of tax revenue. Taxation is that part of the income of an economic organization which it hands over to the state and, in particular, if we include, concentrated into the state's share, the tax received from enterprises or companies, that is, in essence, their profits, then the state can carry out regulation of economic activities by means of the formulation of rational varieties and rates of taxation, which have been rendered suitable by the paring away of all superfluous elements. The key point here is to bring about a close linking together of the various operational aspects of enterprises, including the levels of ownership of assets, resources, capital and profits, with taxation, which will produce favorable effects in the industrial, technological and regional structures of the national economy. The taxes levied on industries which need to be developed, or on new technologies which need to be promoted, may be reduced or even waived altogether, or their tax burden may be lightened for a period of time, whereas tax revenue drawn from those industries which need to be restricted may be revised upwards. Aside from taxation, there are several aspects of financial expenditure which should not be ignored. Certain weak departments which are in urgent need of strengthening require financial subsidies, thus for example in the clothing industry, taking into consideration the circumstances, subsidies need to be provided and support given. Again, if the funds required by some large-scale construction projects

(including those carried out with imported equipment and technology) are provided for in financial expenditure, and if there is direct investment of funds to build up these projects, this may have decisive significance for the proportions of the national economy. It is evident from the present trend in economic development that the proportion of the whole society's production occupied by research, cultural education and the first category of urban public services, as well as the industries which engage in nonmaterial production or in the provision of services, is continually on the increase, and that these industries may suitably be carried on by individual enterprises, but also require the investment of state capital. In summary, regulation by financial means, whether it be in the form of curbing tax revenue, granting subsidies or investing capital, is a relatively direct method, achieves results quickly, and is very powerful; good use must be made of this lever.

Regulation by means of credit levers. There are boundless resources of credit, covering limitless fields, in a pure commodity economy. The full potential of this lever still needs to be realized in our socialist commodity economy. The functions of credit and finance are different, and the two are not interchangeable. Apart from some projects which are established by means of financial investment, a large proportion of the funds required for the expansion of reproduction will still have to come from credit sources, or will be raised through a common settlement involving both finance and credit. The bank which undertakes activities relating to such functions as money credits is placed at the point of convergence of the state's macroscopic economy and the enterprises' microscopic economy; it is connected in an arterial network with the various surrounding enterprises, and it responds sharply to market fluctuations; through it, socioeconomic information is gathered and retransmitted relatively precisely and speedily, and, moreover, it can conduct analyses and make forecasts within a fairly large scope and over fairly long periods; at the same time, because of the special characteristic of credit, that capital is repaid with interest, it is especially concerned with the economic interests of the enterprises, and the economic responsibility is far greater than with funds raised by means of public finance. If liquid funds and investment loans are provided by the bank, the bank can, in accordance with the state's broad economic objectives, and on the basis of the operational conditions of the enterprises and companies which are under its aegis, carry out adjustments in, exercise supervision over, and influence social and economic life, encourage economy of funds, and their quick return, and keep the operational direction of enterprises in step with the overall pace of national economic expansion. It is able to carry out all these functions by stipulating the conditions for credits and selecting the subjects for the provision of credits, and in particular by means of the formulation of equitable and relatively flexible interest rates, which may be done, for example, through long- and short-term interest rates, and by all sorts of preferential interest rates, and so on. Further, the development and promotion of trust credits and international credits can also, in various different ways, have a positive effect on the regulation of the national economy.

Regulation by means of wage levers. In the socialist commodity economy, since wages are the remuneration for labor, the influence which they exert on the

flow of labor forces, and thereby on the employment structure, as well as on the industrial structure linked with it, cannot be ignored. This influence is derived from several sources: the wage levels of the various enterprises, the disparity of wages in various industries, the different categories of wages in all the various regions and so forth. When enterprises have become relatively independent producers of commodities, the remuneration for labor is directly connected with the existing income of the enterprises. Thus an enterprise generally has at its disposal a relatively large amount of room for maneuver in making decisions on the wages of its workers and staff. However, the state should remain in control of certain broad principles and powerful mechanisms. These include, for example, the overall totals of wages, the upper limit for the percentage of an enterprise's income which may be occupied by its wage bill, and so on. These limits must be drawn up in order to control the society's consumption and to regulate the proportions of the allocation of reserves and consumption.

We have listed above several important mechanisms for regulation. If these mechanisms can be skillfully wielded, and coordinated by means of tacit agreements, this will be much more effective than the issuing of decrees and directives to all the innumerable enterprises, and it will be much quicker and more certain than the use of administrative measures to direct economic construction. This can be observed from the circumstances of certain countries which, for some time now, have been implementing the integration of regulation by planning mechanism and regulation by market mechanism. Of course, what these countries have achieved is not the best of all possible worlds, and they have shortcomings and problems, but when all is said and done their achievements cannot be denied.

In integrating regulation by planning mechanism with regulation by market mechanism, what is important is the regulation of the proportions of social production, and this kind of regulation is carried out by means of the conscious balancing of all manner of different interests. As well as this, there is another fairly important function of regulation, namely the regulation of incomes, which is not really directly related to the proportions of production, and which is, in essence, the coordination of the people's mutual interests. The basic nature of the socialist commodity economy determines that its fundamental objectives are to mobilize, to the greatest possible extent, the enthusiasm of the broad masses of the workers, and to bring about the greatest possible increase in material and spiritual wealth of the entire society. To this end, it must deal appropriately with the problem of disparities in incomes, and this means that it must also make use of such economic mechanisms as prices, tax revenues and wages. In this respect, special discussion is required, which we will not concern ourselves with here.

The kind of regulation carried out purely by means of market mechanism, or which we spoke of earlier, is in fact regulation by means of the law of value, the ceaseless torrent of competition, which never lets up for an instant. It may even be said that regulation will exist only where there is competition, and that regulation is implemented amid competition. The integration of regulation by planning mechanism and regulation by market

mechanism constitutes guidance of economic activities through conscious reliance on the law of value; this kind of regulation cannot lead to the capitalist-style totally free competition, but recognizes, and moreover needs, a limited amount of competition. No matter how broadly based or how thoroughgoing limited competition may be, it will always be rather less fierce when compared with totally free competition; competition does not appear among private capital, but is opened up between integrated bodies formed by the workers; competition works for the collective interests of the workers, and does not exist to enable entrepreneurs to obtain the greatest possible surplus values; moreover, the final outcome of competition cannot be the occurrence of polarization, of a wide disparity between rich and poor.

The feudal natural economy, which was in existence for several thousand years, inevitably left our nation with many burdens and old habits, the traces of feudal small-scale production which survive within our socialist economy have encouraged the further spread of these old habits in certain areas, and have nurtured an atmosphere of laziness and carelessness, of solvency, and of showing no interest in forging ahead. The implementation of integrating of regulation by planning mechanism with regulation by market mechanism, and the opening up of limited competition will, on the other hand, not only allow powerful promotion of the productive forces to take place, but will also be efficacious in creating widespread diligence and alertness, will spark off a great upsurge of national spirit, and will encourage the people to fight more vigorously on all fronts. Thus we may say that limited competition is wholly compatible with the requirements of the development of China's modernized construction.

It was said at the beginning of this article that the theory of regulation of the socialist economy is a very wide area of study, and it might also be said that it is a subject into which we have only just begun to conduct research. What has been discussed above is far from having been carried into practice. Many other matters relating to the integration of regulation by planning mechanism with regulation by market mechanism are worthy of careful analysis and research. These include the setting up of an organizational structure, which will involve, for example, turning all the specialized management departments into various kinds of committees for the management of the economy, with responsibility for the work of inspection, supervision, coordination and so on; the adoption of organizational forms, involving, for example, calling together all units concerned for consultation and agreement on the formulation of plans; the improvement of economic legislation and company law, including such things as the formulation of all kinds of economic statutes and the setting up of economic tribunals; the application of advanced methods of calculation and technological measures, such as electronic computers, and so forth.

Once, when discussing philosophical problems, Comrade Mao Zedong linked the future destiny of philosophy with the process of fulfilling social class needs. This way of looking at things is also applicable to the development of the

social sciences, because for many years in the past the theory of regulation was almost what might be termed a tract of virgin soil in the garden of Chinese economics, whereas in the last 2 years there has suddenly been a vigorous development of this field. Thus the truth of the matter is revealed to us: socialist China, situated as it is amid transformations of a historical nature, is in urgent need of a scientific theory of regulation, and we should step up the pace of our research in this field (first draft, September 1979, revised September 1980).

CSO: 4006

NATIONAL POLICY AND ISSUES

'JIEFANG RIBAO' NOTES NEED FOR ECONOMIC READJUSTMENT

OW101821 Shanghai City Service in Mandarin 2300 GMT 9 Jan 81

[Report on JIEFANG RIBAO 10 January frontpage commentator's article: "Only By Consolidating Stability and Unity Can We Successfully Carry Out Economic Readjustment"]

[Text] The article says: In a certain sense, the success or failure of our readjustment will be determined by whether we can or cannot continuously consolidate the situation of stability and unity.

The article points out: After the downfall of the "gang of four," the countrywide turmoil ended. Our country shifted from upheaval to order, and a political situation of stability and unity emerged. This is the main current of the present political situation.

However, we must also keep a clear head and understand that factors of instability still exist and often appear. In the past, situations in other places and Shanghai have merited our attention. For instance, in some places people who crave nothing short of nationwide chaos are using methods adopted during the "great cultural revolution" to agitate the masses and create disturbances. Some counterrevolutionary elements are flagrantly engineering explosion incidents and distributing counterrevolutionary leaflets to oppose people's democratic dictatorship. In some places, some people are setting up illegal organizations, publishing illegal journals, spreading antiparty and antisocialist words and even establishing secret ties with one another. In some democratic elections at the grassroots level, some people, in the name of campaigning for official posts, are wantonly making reactionary remarks to attack party leadership and the socialist system.

While we are enlivening economy, many people in many places are availing themselves of this opportunity to profiteer, smuggle, evade taxation, illegally raise commodity prices and disrupt the market. They are even committing bribery, perverting justice for a bribe and leaking or selling the economic and technological secrets of the state. In addition, in numerous places criminal offenders are ignoring law and discipline. They are committing murder, arson, robbery, larceny and crimes in organizing gambling parties, raping women, violating one woman by several men in turn, abducting women and forcing them to be prostitutes, organizing call girl clubs and peddling and smoking drugs. The number of these crimes is increasing. We must pay great attention to all these factors of upheaval and never treat them lightly.

The article says: The economic readjustment task facing us is arduous, heavy and urgent. The various factors of instability which actually exist are also serious. Our party organizations and government leaders at all levels must adopt effective measures to grasp the consolidation of the political situation of stability and unity as a matter of prime importance. We must conscientiously strengthen people's democratic dictatorship, that is, the dictatorship of the proletariat. Concerning the various reactionary forces which sabotage stability and unity and concerning the Lin Biao and Jiang Qing counterrevolutionary cliques' remnant forces, we must resolutely crack down on and disintegrate them in good time and in different ways.

In strengthening people's democratic dictatorship and launching struggles against all factors which create chaos, we must also learn to use law as a weapon; strictly distinguish between the two different types of contradictions; strictly act in accordance with the constitution, law and decrees; and do things within the scope of the law. This is a new subject we must master as soon as possible as we develop socialist democracy and strengthen the socialist legal system.

To consolidate and develop the political situation of stability and unity, party leadership at all levels must also make vigorous efforts to do thorough and painstaking ideological and political work among the cadres and masses. It is necessary to educate the cadres and masses to uphold the four basic principles, abide by law and discipline and be activists consciously promoting stability and unity. It is necessary to guide the masses to put the general interests above everything else and to understand that even though there are practical problems, they perhaps can be solved step by step by the state, or will be settled step by step with economic development. Under no circumstance should they be led to think that they can solve the problems in a small way by making a little trouble and in a big way by making big trouble. It is necessary to turn the negative factors into positive ones as much as possible. Whatever excuses there might be, it is impermissible to undermine stability and unity and to obstruct economic readjustment. It is also necessary to mobilize and organize the masses to take conscious and vigorous actions and wage effective struggles against all the forces undermining stability and unity.

The article then elaborates on some current thoughts that have emerged in society. For example, now there is the call to strengthen the people's democratic dictatorship and to strike firmly at all the forces undermining stability and unity. Does this mean class struggle will once again be taken as the key link? Does it mean that now is again time to "restrict?" Does it mean the policies set by the 3d Plenary Session of the Party's 11th Central Committee will be changed? And so on and so forth.

The article says in conclusion: Only by continuing to properly readjust the economy will it be possible to successfully accomplish the four modernizations, and only by further consolidating the situation of stability and unity will it be possible to ensure the smooth progress of economic readjustment. This is our conclusion. This is the goal the whole nation must work with one heart and one mind to achieve.

CSO: 4006

NATIONAL POLICY AND ISSUES

NEWSLETTER ON YOUNG ACHIEVERS IN SHANGHAI

OW070626 Beijing XINHUA Domestic Service in Chinese 1408 GMT 6 Jan 81

[Newsletter by RENMIN RIBAO correspondent Wu Fumin and XINHUA correspondent Ye Shitao: "A Delayed Generation, A Very Promising Generation--Sketches of the Younger Generation in Shanghai"]

[Excerpts] Shanghai, 6 Jan (XINHUA)--Of our country's over 900 million population, more than 600 million are young people under 30. This younger generation has grown up together with new China. They are the generation delayed by the 10 calamitous years. They are the generation "to whom heaven will assign important duties."

Are they conscious of the magnitude of the "important duties?" Are they equal to the "important duties?" What conditions should society create for them to grow into useful people? Let us look at the strong and vigorous figures of the younger generation in Shanghai and listen to the cries from their hearts.

New People Come Forth in Large Numbers in the New Era

Before dawn on lunar new year's eve in 1980, in Kobe, Japan's second largest port, the oceangoing ship from Shanghai S.S. "Licheng" was soon to set sail. Its destination was Moji. Two experienced and prudent Japanese coastal pilots boarded the S.S. "Licheng." Entering the bridge, they were surprised and became speechless. The captain of the oceangoing freighter was unexpectedly a young fellow. He, Chen Yongkang, was a year younger than new China. But, the young fellow had been a sea captain for 2 years. He had independently commanded an ocean freighter three times to Japan and five times to Korea, each time outstandingly accomplishing his tasks. This was Chen Yongkang's third voyage to Japan.

In the Shanghai Ocean Transport Company, half the cadres on ships are "juniors." More than 10 young captains are about 30 years old. On the S.S. "Licheng," the chief, second and third mates are all younger than Chen Yongkang. The youngest is only 26.

Shen Yutang, a junior middle school graduate in 1967, was just an ordinary worker in the physiological laboratory of the Shanghai College of Traditional Chinese Medicine affiliated to Shuguang Hospital on the eve of the downfall of the "gang of four." In 3 and 1/2 years, he has become a lecturer of the College of Traditional Chinese Medicine. Shen Yutang boldly studied. He did research in many branches of

the study of the heart and blood circulation, including physiological, pharmacological and biomedical engineering (sheng wu yi xue gong cheng 3932 3670 6829 1331 1562 4453) studies, and achieved spectacular results. The Ministry of Public Health has awarded him an honorary class B certificate for scientific and technological achievement. He has also been invited to join the scientific committee of the International Angiology Society in the United States.

Mudman Fang Yuqing was selected to serve as a technical translator for a large-scale imported engineering project when he was only 18. Now, even some experts praise this 23-year-old young fellow for his apt translations and masterly style. Zheng Weilan, who was once a carpenter, showed extraordinary talent in mathematics. He was admitted as an exceptional case by the graduate school of East China Normal University. Another exception was made when he graduated from his class a year ahead of time. Now he has been recommended for advanced studies abroad.

Unyielding in Adverse Circumstances

Success does not smile to cowards. The road for a youth to become a useful person is often tortuous and bumpy. Young people with lofty ideals push straight ahead in favorable circumstances and remain indomitable in adverse circumstances. Their experiences have proved a truth: Talented people must grow up through struggle.

At the "national exhibition on the use of solar energy," two scientific research achievements by young worker Chen Xide, of the Shanghai Jiangong Machinery Plant, caught people's attention. One was a solar energy high-temperature furnace, which reached a temperature as high as 1,300 degrees at its focusing point and melted a small piece of copper plate. The other item was a solar energy device, which could heat cold air at 4 degrees centigrade to 60 degrees and maintain it at that temperature. But who could imagine that it was under political persecution and in a hopeless situation, in which his family nearly broke apart, that Chen Xide made these contributions to the motherland?

In 1969 Chen Xide was inexplicably labeled as an "active counterrevolutionary." He was first put in "isolation for examination: for more than 2 years, and later sent back to a factory to work under surveillance. Chen Xide went to the library every day to study books on the utilization of solar energy. He endured criticisms and lectures during the day, diligently studied in the evening and experimented on holidays. He was determined to harness the energy of the sun as a contribution to the motherland.

After the downfall of the "gang of four," Chen Xide began to design a solar energy high-temperature furnace. At that time, the false charge against him was not yet cleared, and some people still treated him as a "class enemy." This forced him to leave the factory to appeal his case to high authorities.

For a considerably long period, Chen Xide almost worked in isolation. Each day, after the regular shift, he would work another shift. From December 1977 he worked more than 560 days. Several times he passed out in the workshop because of fatigue. His wife was on sick leave at home. Seeing that he was working at the risk of his health day and night, she too wanted to "take part." To build the furnace, sometimes they had to live by borrowing.

Chen Xide's spirit touched a young woman worker Zhou Zhengfang, of the No. 1 timber processing plant, and a number of (?young) workers in his factory. Later, they joined Chen Xide one after another working overtime without pay. Some people asked Zhou Zhengfang: "Are you not afraid of associating with a counterrevolutionary?" Zhou Zhengfang answered: "I do not believe there is a counterrevolutionary who could be so patriotic in the world."

The false case was finally redressed. Chen Xide and Zhou Zhengfang were admitted as members of the Shanghai municipal solar energy society. Recently they were transferred to work in the Shanghai Research Institute of Energy Utilization Technology.

There are many unique recorded programs in the foreign language teaching and research section of the Shanghai No. 1 medical college featuring such subjects as medical conversation in English, stories told by native English speakers, medical science in English and so forth, which are very popular among the students. In a passageway on the campus hangs a "sound blackboard," on which are written English expressions used in everyday conversation. Just push a button, and conversation comes out from the loudspeaker. Talking about the layout of the recorded programs and the "sound blackboard," the teachers are unanimous in praising the painstaking labor of Yan Yimou, who has helped in the work of the college. But they also mention with regret: The young fellow is still a temporary worker.

Yan Yimou has been fond of radio technology since childhood. He has received instructions from his father, his elder brothers and other elder members of the family, and has acquired some specialized skill. However, he was assigned to work in a neighborhood factory pasting paper boxes. One and a half years ago, with the approval of the neighborhood office, he was transferred temporarily as a "support worker" to the foreign language teaching and research section of the Shanghai No. 1 medical college, where he is responsible for the maintenance and repair and helps in the management of the electric audiovisual teaching aids. Yan Yimou arrives early and leaves late everyday, working so hard that his face is always covered with sweat. When the audiovisual classroom was built, he thought that from then on audiovisual education would develop from the use of sound-recording to video-recording equipment, and to electronic computer controlled teaching. To meet the new requirements, this "support worker" has now begun to study from his own television theories and television maintenance and repair techniques, in addition to maintenance and repair and management of audiovisual teaching aids.

Our Destiny Is Linked With the Motherland

Zhao Le, a young worker who was recently promoted as an exceptional case to assistant engineer, said it well: "Building a socialist, modern new China is the heavy responsibility history has given to this generation of young people. We must do something for the motherland, and nobody can restrict us."

Zhao Le is a shock worker on the new long march in Shanghai City. His father was a well-known telecommunications engineer. In 1969 his father was falsely charged as an "enemy agent" and locked up in a "dungeon." When he was released because "investigation revealed no evidence," he was suffering from an incurable disease. When he died of illness, still suffering from having been wronged, what he left to 16-year-old Zhao Le were only some radio technical books and these words: "You should become a useful man for the motherland."

"Become a useful man for the motherland"--Zhao Le kept firmly in mind his father's dying words and began his arduous long march on the road toward science. In the winter of 1974, Zhao Le was employed to take part in a project for the construction of the Sino-Japanese submarine cable. To meet his professional requirements, he decided to concentrate his major efforts on the study of carrier technology and English. Zhao Le has finally turned himself from a layman into a junior expert.

Over the past 1,000 years, to safeguard national independence, many heroic young people have galloped across the battlefield and sacrificed themselves in the border areas. Today, in the long march to achieve the four modernizations, many young people have made up their minds to fight their way into the "forbidden zone" of science and technology and scale the world's heights of science and technology in an effort to safeguard the national dignity.

One day in 1973 a group of foreign guests paid a visit to the No. 20 radio plant in Shanghai. Young worker Wu Kedong was working in the etching workshop. The foreign guests covered their noses and frowned at him as they passed the workshop. Knowing the meaning of their gestures very well, Wu Kedong's pride was deeply hurt. He thought: "Yes, we are backward, but we must not remain backward forever. We Chinese are not more stupid than foreigners." From then on this worker, who as a boy used to join his young friends in catching crickets in the field on autumn evenings, seemingly began to change into a different person. He concentrated his energy and talents on transforming the etching technical process.

After experiencing dozens of times of defeat and steeling himself against the cold irony and burning satire of others, young worker Wu Kedong finally solved a knotty problem concerning the etching process which had not yet been solved by some of the technically advanced countries--the regeneration of corrosive copper chloride solution through air [zai sheng lu hua tong fu shi ye 0375 3932 3048 0553 6894 5201 5793 3210].

Yuan Haiou, a CYL member of the Shanghai No. 14 television plant, went to Hong Kong to visit his relatives last year. When no one had heard from him for a long time, all kinds of rumors about him went among the other workers. Many people predicted that this time he would definitely "fly away." Since his father lived in Hong Kong and he was the only son who worked in Shanghai, Yuan Haiou could easily ask his relatives to find him a job in Hong Kong and settle down there. But no one imagined that Yuan Haiou would return to Shanghai within 2 months, 1 month before his 3-month leave was to end.

When he visited his relatives in Hong Kong, Yuan Haiou saw a human world filled with debauchery and myriads of temptations. He realized that under the veneer of capitalist material civilization it was a morally empty world built with the blood and sweat of the laboring masses, and saw the lack of warmth in human relationship established solely on the basis of money. He thought: Although the motherland is rather poor at present, it will eventually become prosperous.

The delayed generation is a generation with a very bright future.

NATIONAL POLICY AND ISSUES

HONG KONG PAPER ON PRC 1981 ECONOMIC PROSPECTS

HK040439 Hong Kong TA KUNG PAO in Chinese 4 Jan 81 p 1

[Report: "Beijing Views This Year's Economic Prospects"]

[Text] The ZHONGGUO XINWEN SHE published a review on 3 January entitled "China's Economic Prospects for 1981." The following is a summary of the review: The prospect for this year is one of major readjustment. The aim of this readjustment is to balance the budget and credits, and to stabilize prices.

This is a major policy decision taken by the CCP. China will have to make tremendous efforts in order to achieve these aims.

China had enormous financial deficits in 1979 and 1980. An economic crisis will occur unless the deficit is stopped.

The main contents of the national economic readjustment in 1981 are to cut capital construction, reduce administrative expenditures, lighten the financial pressure, and use the money saved to appropriately improve the people's living standards.

In the year that has just passed, total value of China's industrial output grew by about 8 percent, with the biggest increases being registered in the light and textile industries, as before. In the new year China will continue to push a number of practical reform measures, such as bringing into play local superior features, protecting competition, and promoting joint undertakings under the guidance of the national economic plans. Apart from that, China will mainly concentrate on straightening out the enterprises and on making the greatest efforts to increase production of commodities that sell well. The increase in industrial output value may be lower than last year; it will probably be around 5 or 4 percent. However the increase in the light and textile industries should be above 8 percent. These industries should take advantage of their characteristics of rapid accumulation of capital to increase more income for the state and contribute to the readjustment of the national economy.

China has instituted a policy of opening up to the outside world in recent years and has constantly imported some advanced foreign equipment and technology, together with capital. This has stimulated the building of the four modernizations and has yielded good results. There will be no changes in China's foreign economic and trade policies.

NATIONAL POLICY AND ISSUES

PRC ECONOMIC JOURNAL ON TECHNOLOGY, ECONOMY

HK011320 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 11, 20 Nov 80
pp 33-37

[Article by Lu Taihong (4151 1132 1347) of the Jiangxi Provincial Scientific and Technological Information Research Institute and Shi Zhongliang (0670 1813 5328) of the Party School of the Party Committee of Nanchang Municipality: "On the Requirement That Technology Be Advanced and the Problem of Economic Rationality"]

[Text] The development of social production and progress of human civilization give rise to science and technology, which in turn exerts tremendous influences on society. An indication of such influences is that science and technology is increasingly and closely related to society and the economy, and that the contributions of science and technology to economic growth are increasing. According to some estimates, the contributory share of science and technology among the various factors that affect the growth in social labor productivity has increased from 20 percent early in this century to between 60 and 80 percent in 1980's. The development of some new industries, such as the computer industry, the information industry and the space industry, relies almost completely on developments in science and technology.

The aim of our country's socialist modernization program in four areas is to vigorously develop the social productive forces, continually raise the labor productivity and satisfy the constantly increasing material and cultural needs of the vast numbers of people. The important means to this end is to exploit advanced science and technology. In the final analysis, modernization amounts to using advanced science and technology to arm various sectors and fronts of our country's social production. Thus, science and technology occupies a special and important position in the four modernizations program. However, how to use advanced science and technology to serve our socialist construction and to promote socialist economic development is not only a question of science and technology but also a question related to economic theory. Over many past years, in numerous cases the use of technology in our country did not bring about the anticipated economic benefits to us. In some cases, it even led to enormous waste. We should study and think about this phenomenon and sum up these experiences. For example, 2 years ago the service industry in Beijing built 41 solar energy water heaters, which could help reduce coal consumption by 700 to 800 tons annually and help prevent air pollution. They were praised as "a new flower in science and technology" and a prize was awarded to them at the National Conference on Science. However, because the cost of solar heaters almost doubled the cost of heating water with boilers, and because their

economic effectiveness was unsatisfactory, some units did not use them. To take another example, several years ago, assisted by some units concerned, the Nanchang Diesel Engine Factory spent over 12,000 yuan to manufacture a numerical control automatic grinder which was rather advanced in our country. However, because using the numerical control grinder for processing is very costly, the grinder has been basically in disuse for a long time. Another example is that there are 17 computers of various models in Jiangxi and their utilization ration is terribly low because skills operators and maintenance personnel are insufficient and too few people know how to use them. Some of them have not been unpacked though they were bought several years ago by some units. Some of them are used only several times a year. Moreover, because many units have their own computers, the computers at the Provincial Computer Center have remained idle for long periods of time and basically they are unused. These are examples of the phenomenon that people just care about whether technology is advanced, without considering economic rationality or economic effectiveness. This phenomenon is very common in our country.

This grave situation shows that we do not adequately know the internal relations between technology and economy, so that there is a high degree of blindness in adopting technology. Therefore, we should try to know clearly the internal relations between technology and economy by studying the relations between theory and practice.

I. Economic Rationality is the Basic Goal in Making Policies Concerning Technology

Technology exerts various influences on society. Numerous facts in the history of the development of society and the history of development of science have proved that though technology brings immense benefits to mankind, if man deliberately abuses technology, the results will be contrary to man's wishes. Therefore, people are required to be able to formulate correct policies concerning technology, because such policies determine how people exploit and develop technology (including how people import technology, develop new products, carry out scientific research and so on). Policies concerning technology in turn serve economic goals. Whether such policies are correct is of utmost importance to a country's development. Correct policies concerning technology will bring immense benefits of strategic significance to a country, but conversely erroneous policies will cause incalculable losses. Take our country as an example. In the 1950's and the 1960's, we underestimated the strategic importance of the electronics industry, so that this industry had a weak foundation at the beginning and, subsequently was not given adequate attention. As a consequence today this industry is gravely backward. On the other hand, in the exploration and opening up of oil resources, because comrade Li Siguang put forward the outstanding new view that "the petroleum basins of eastern China are distributed along the subsidence belts of the new Huaxia system," which provided a scientific basis for the Party Central Committee to make policies, our country needed not take the road of making costly synthetic petroleum. In recent years, many countries have been paying increasing attention to studying and formulating policies concerning technology. For example, in 1972 the United States enacted some laws according to which high-level policy-making bodies were set up and the president could personally decide on certain policies concerning technology (such as policies concerning energy). In the four modernizations program, our country will face many policy problems concerning technology. Studying the policies concerning technology will be an important matter of strategic importance both in scientific and technological work and in economic work.

What is the basis for formulating policies concerning technology? Having examined numerous facts concerning the utilization of technology and concerning economic development, and having summarized our positive and negative experiences, we believe that the basis for formulating policies concerning technology embodies the following three elements: Evaluating technology, evaluating economy and evaluating harmfulness. Correspondingly, there are three aims in making policies concerning technology, namely: To have technology that is advanced, to achieve economic rationality and to insure that the results are harmless. The evaluation of technology measures whether technology is advanced, the evaluation of economy measures whether technology is economically rational, and the evaluation of harmfulness measures whether technology brings about harm as well as the extent of any harm. Formulating policies concerning technology is a problem involving making policies which must satisfy a number of goals, and it necessitates comprehensive investigation for the sake of solving the problem of optimization in the face of many goals. However, because the main aim and emphasis may differ in various cases, the relative importance of each of the evaluation of technology, the evaluation of economy and the evaluation of harmfulness may not be equal. Under certain special circumstances, one of these three may or must be emphasized. For example, in making policies concerning the application of technology in military affairs, we are required to emphasize that technology must be advanced. In applying technology to certain kinds of large scale production, we must pay special attention to the evaluation of harmfulness. In producing goods for civil use we should give prior consideration to economic rationality.

Evaluating whether technology is advanced is very important in preventing possible duplication and waste brought about in the development of technology. If we do not want to conduct research on or import technology and equipment which have become obsolete or the problems about which have not been solved, we must evaluate whether technology is advanced. Over the years, in numerous cases we have suffered losses because we did not have adequate or updated information and because we did not clearly know how advanced various kinds of technology are. Several years ago, Dr Yang Zhenning estimated: "At least 40 percent of the research tasks in our country have been successfully accomplished in other countries." Evaluating the harmfulness brought about by technology is also very important. Without such evaluation, we will not watch out for such harmful side effects as environmental pollution, the disruption of ecological balance, the social problem of unemployment and so on. If preventive measures are not taken, the final results may be catastrophic.

The evaluation of economic rationality is not only the basic aim in formulating policies concerning technology, but is also an objective requirement of national economic development. We must consider this problem and judge the feasibility of technology by its economic effectiveness in each undertaking, whether it be a large-scale one such as formulating national economic plans, readjusting the economic structure or reforming our economic systems, or a small-scale one such as choosing a plan for a certain construction project or improving the management of an individual enterprise. It is a commonly known principle that the adoption of advanced technology should be subjected to the constraint of economic rationality and that the evaluation of economic rationality should be of prime importance among various factors which determine policies concerning technology and economic policies. For example, nuclear powered submarines have been used in the military field since 1954, but nuclear powered vessels for civil use have not been massively used, and one reason is that such vessels cannot compete with vessels powered by ordinary

means in economy. On the other hand, large integrated circuits represent a new technology which appeared recently in the 1970's. Because they are cheap, in a short span of several years, they have not only been produced as a commodity, but have also found their way into every area of technology and social life at a tremendous speed.

Technology is a means to economic development. The basic aim of technology should be economic results. Evaluating whether technology is advanced and evaluating the harmfulness of the effects of technology are centered round and are to serve the economic evaluation of technology. The aim of evaluating whether technology is advanced is to prevent adopting backward technology and to avoid waste due to duplication, that is, to achieve better economic results and to prevent economic losses. The aim of evaluating the harmfulness of the effects of technology is to avoid taking wrong or tortuous paths in the development of technology, so that in the future it will not be necessary to use more human, material and financial resources to remedy the losses caused by technological errors. This amounts to striving for economic rationality from the long term point of view. Therefore, in this sense, making policies concerning technology is basically aimed at economic rationality.

Judging from our country's situation, we should also take economic rationality as the basic aim in making policies concerning technology, because our country has a large population, a weak foundation and limited capabilities, and is economically backward. We cannot one-sidedly strive for more advanced technology. We should more emphatically consider the economic rationality of technology. To achieve the greatest economic results with minimum labor consumption is not only the principle of economic work, but is also the principle which technological work should observe. Prime importance must be attached to striving for economic results. Whether any kind of advanced technology is desirable and practicable must depend on the extent of its economic rationality. It is a pity that this simple but important principle has not been treated with due respect and fully implemented in our work. At present, the most prominent problem about our country's policies concerning technology is that the internal relationship between technology and economy is severed, and people merely pay great attention to whether technology is advanced but pay little attention to evaluating whether technology is economically rational and whether the effects of technology are harmful. Even some comrades who are engaged in economic work also frequently neglect the evaluation of economic rationality. This tendency is obviously wrong. The crucial cause of these problems is that some of our comrades, including many who hold leading positions, do not quite understand the dialectical relationship between the requirement that technology is advanced and the requirement of economic rationality, and do not conscientiously work according to the principle of unifying natural laws and economic laws.

11. The Dialectical Relationship Between the Requirement That Technology is Advanced and the Requirement of Economic Rationality

If economic rationality is the basic aim in making policies concerning technology, then which type of technology should we adopt so that the requirement of economic rationality can be satisfied? Can all kinds of advanced technology bring about anticipated economic results? Will it be definitely unprofitable to adopt certain kinds of technology which are not most advanced? Solving these problems is of great practical significance to our country's four modernizations program.

Considering both technology and economy, we can classify technology into four types. That is, there are four kinds of choices when we apply technology to socialist economic construction.

The first type of technology is backward, and economically speaking it involves high costs. Examples are small-scale steel works, small chemical fertilizer plants, small hand-guided tractor plants, small motor car factories and so on, set up in many parts of our country. Such factories suffer from low output, poor quality, enormous consumption of materials and high costs.

The second type is intermediate technology, the adoption of which is profitable economically. Examples are the use of coal as a source of energy as well as the equipment and technology used by most of our country's enterprises. Such technology needs a small amount of investment, brings about quick results and brings about better product quality, and the products of this kind of technology have a definite competitive ability.

The third type of technology is advanced but involves high costs, and therefore at present it is uneconomical and should not be popularized. Examples are such items installed in the 1970's as equipment using solar energy and elevated high speed trains.

The fourth type of technology is advanced and also economically worthwhile. A typical example is the microprocessors and microcomputers which appeared early in the 1970's. A microcomputer priced at \$300 is technologically more advanced as well as more economical than the first large computer in the world (ENIAC): The speed of calculation is 20 times faster, the reliability is several thousand times higher, the volume is 30,000 times smaller and the price is 10,000 times lower.

Judging from the process of development of science, every item of technology has a life cycle which can be divided into four stages: The initial stage, the growing stage, the mature stage and the declining stage.

The prospects of technology at the initial stage are uncertain. If there is a breakthrough, it may become the most advanced technology which brings about great economic benefits. However, it involves technological and economic risks. Examples are such items developed in the 1970's as the controlled nuclear reactor, the magnetic fluid generator, genetic engineering, intelligence simulation and so on.

Technology at the growing stage is full of technological vitality and has a potential, economic competitive ability. Examples are such items developed in the 1970's as communication by optical fiber and the application of microprocessors. Applying technology at this stage may bring about a steady flow of economic benefits for a considerable period of time.

Technology at the mature stage has been perfected and has become a commodity. Duplicate research on and development of such technology is wasteful. If we purchase such technology, assimilate it and popularize it, we may obtain great economic benefits. If we effect innovations on such technology, we may get the good economic results of lower costs and higher productivity. Examples include the application of steel-making technology and television set production technology in Japan and the application of computer software technology in Romania.

Technology at the declining stage is obsolete and has no prospects for continued existence.

From the foregoing analysis, we can draw this conclusion: Among the four types of technology, the second and fourth types are best, and concerning the four stages of development of technology, it is best to adopt technology at the growing stage and at the mature stage.

Such technology is what we usually call "applicable technology." In choosing an appropriate type of technology, various countries of the world widely adopt applicable technology, that is, technology which is compatible with the situations in their countries, which is economically rational, and which is relatively advanced, somewhere between traditional technology and the most advanced technology. Such applicable technology is at the mature stage and its use does not involve technological or economic risks. Technologically it is much more advanced than traditional technology. Economically speaking, it does not need huge investments and can yield great economic benefits in a short time.

In adopting each item of technology in our socialist modernization program, we must proceed from reality, work within our own capabilities, exploit our own strength and avoid our shortcomings. Our strength is that we have a large population, a large labor force as well as some definite economic strength built up through 30 years of construction. Our shortcomings are that we are technologically backward and our economic strength is limited in comparison with the developed countries, and that we have many people waiting for employment. Therefore, we must consider these factors when we formulate policies concerning technology. We cannot one-sidedly crave for highly advanced technology, automation and mechanization and ignore our existing industrial foundation and our abundant supply of labor. We should also not just emphasize expanding employment and therefore firmly adhere to traditional technology without considering raising the labor productivity and without considering the competitive ability of the products and economic results. We need the kind of technology which is technologically advanced, economically rational and capable of fully utilizing our country's labor resources. Such technology is what we have mentioned as applicable technology.

How can we determine the economic rationality of technology so as to choose applicable technology? We must evaluate the economic rationality of technology and compare a number of schemes. That is, we must examine various schemes by calculating the ratio between the consumption of labor input and the quantity of useful output, and then choose those schemes which bring about greater economic results with a lower labor consumption. There are two criteria for measuring the economic rationality of technology. One is the absolute criterion, that is, whether the technology enables the whole society to increase its wealth or reduce labor consumption. The other is the relative criterion, that is, given the same human and material resources, which kind of technology can bring about better economic results, namely higher output, better quality and lower consumption. To calculate economic results so as to facilitate the comparison of various kinds of technology, people in other countries proposed the concept of the "performance-price" ratio. Our country's economists have put forward the concept of the "coefficient of the results of investment, equal to m/k ," which plays a similar role as the "performance-price ratio" in examining the economic results of construction projects which employ equally advanced technology.

From the analysis of the four types of technology and the four stages of development of technology, we can see that the relationship between the requirement that technology is advanced and the requirement of economic rationality are complicated. In certain aspects these two requirements are consistent, and in other aspects they are incompatible. There are many reasons for this. Generally, when such conditions as the available resources, industrial foundation, management standard and degree of skillfulness of labor are compatible with advanced technology, the requirement that technology is advanced is consistent with the requirement of economic rationality, and the use of advanced technology will bring about the anticipated economic benefits. However, when the conditions mentioned above are not compatible with advanced technology, the requirement that technology is advanced will be incompatible with economic rationality, and the use of advanced technology will not only fail to bring about economic benefits but will even cause great economic losses. Nevertheless, people can do something about the incompatibility between the requirement that technology is advanced and the requirement of economic rationality. We can create conditions and make the requirement that technology is advanced become consistent with the requirement of economic rationality, by knowing and consciously using economic laws and natural laws and by evaluating technology and economy comprehensively. Whether our policies concerning technology are correct and whether our economic policies are rational depend on whether we know the dialectical relationship between the requirement that technology is advanced and the requirement of economic rationality, and whether we can master the optimal point, that is, the turning point at which this pair of contradictions transform themselves, so that we can adopt advanced technology at the most opportune moment to obtain the greatest economic results. For example, we can discover the trend of development of the item of technology, the solar cell, from the changes in its performance-price ratio. The price of plate solar cells was \$40 per peak watt in 1973 and dropped to \$10 per peak watt in 1979. The United States expects to attain the following targets: \$1 to \$2 per peak watt in 1982, \$0.5 per peak watt in 1986 and \$0.1 to \$0.3 per peak watt in 2000. Obviously, the breakthrough will come in the mid-1980's.

To take another example, at present all three kinds of motive power, electric power, diesel power and steam power, are used in our country's railroad transportation. If we merely consider the requirement that technology should be advanced, electric power is superior to diesel power, which is in turn superior to steam power. However, considering both the requirement that technology should be advanced and the requirement of economic rationality, some experts point out that for a single-track line whose slope is steeper than 6 per 1,000 and whose freight volume is over 20 million tons, electric motive power will give good economic results. Conversely, it will be more economical to use diesel power. For multiple-track lines of various slopes, when the freight volume is 40 million tons, electric motive power will give good economic results, and diesel power will be more economical only when the freight volume is below 20 million tons and when the slope is rather gentle. Moreover, when the freight volume is small and when the track is level, it will be most economical to use steam power.

Numerous facts in the history of development of technology and in the history of economic development have proved that the horizontal transfer and the vertical deepening of technology are important means of bringing the requirement that technology should be advanced in line with the requirement of economic rationality. The horizontal transfer of technology refers to the application of the same technological invention in different fields. For example, the horizontal transfer of the

large integrated circuit technology has given rise to electronic digital watches, intelligent instruments [zhi neng yi qi 2535 5174 0308 0892], robots, home computers, mini-electronic calculators and so on. Combining various kinds of technology which are at the mature stage to produce new products may bring huge economic benefits. The vertical deepening of technology means that technology is deepened and becomes more advanced, and that technological breakthroughs causes certain kinds of technology, which are originally not economically viable, to become profitable. For example, originally the production costs of computers were very high and computers were not economically viable. Later, because of the breakthrough in large integrated circuits, the costs of producing computers dropped drastically, so that computers can be widely used and can bring about good economic results.

III. Several Suggestions About Formulating Policies Concerning Technology and Economic Policies

1) Policies concerning technology and economic policies should deal with the four different types of technology and technology at the four different stages in a variety of ways.

We should take various measures to insure the preferred development of the fourth type of technology, that is, that which is technologically advanced and economically rational (and generally such technology is at the mature stage). The state's capital construction investment should mainly be used for construction projects involving such technology.

The state should protect and subsidize the third type of technology, that is, that which is technologically advanced and economically possessing potential competitive ability. Such technology is at the growing stage and can very probably bring about huge economic benefits to the state. Therefore, we must not neglect its importance just because it cannot be popularized at the time being. The state can give support to such technology by giving it a priority status among the scientific research tasks, strengthening research on its application, giving priority to supplying it with equipment, raw materials and other materials, fuel and motive power, as well as using such economic levers as loans at low interest rates.

We should pay adequate attention to the second type of technology, that is, one which lies somewhere between advanced technology and traditional technology and which is relatively profitable economically. Such technology is at the mature stage. It is the main body in our country's existing technological composition and is in a position of decisive importance. "The development of heavy industry depends on tapping potentials and the development of light industry depends on combination of enterprises." We must direct our main efforts to tap the potentials of, effect innovations in, reform and combine the existing enterprises and promote the transformation of such technology into the fourth type of technology. We must base ourselves on the existing 300,000 or more old enterprises instead of simply relying on building and importing 200 to 300 new enterprises annually. Therefore, we should increase the rate of depreciation allowances for fixed assets so as to quicken the replacement of fixed assets, and we should provide loans on favorable terms at low or zero interest rates, support such enterprises in upgrading their technology and insure the supply of equipment, raw materials and other materials, fuel and motive power. Thus, with a relatively small investment, we may hope to achieve greater economic results in a short time period.

We should resolutely eliminate the first type of technology, which is backward, brings about poor economic results and is at the declining stage. A number of enterprises which produce poor quality products and suffer from alarming waste and serious losses must be resolutely closed, barred from further operation, merged or changed to other types of production. The capital funds, fuel, motive power, raw materials and other materials originally intended for them should be set aside for those enterprises adopting the fourth and second types of technology, which produce superior quality products and enjoy low consumption of resources and low costs of production, to insure that such enterprises can be adequately supplied with productive resources and their productive capacity can be fully utilized.

Furthermore, the research and development fund of the Economic Development Committee should differ from the scientific research fund of the Scientific Research Committee in the ways which the funds are used. The fund of the Economic Development Committee should be mainly used for the horizontal transfer of technology according to market demand so as to reap the greatest economic benefits in the short run. The main object of allocation of the fund should be the fourth type of technology and technology at the mature stage. The fund of the Scientific Research Committee should mainly be used for the vertical deepening of technology and for attempts to achieve breakthroughs. The main object of allocation of this fund is the third type of technology and technology at the growing stage.

2) At present, our comrades who are engaged in scientific and technological work do not understand economic conditions very well and will find it difficult to consider in-depth economic benefits, shortcomings, gains and losses. Conversely, those comrades engaged in economic work often know little about science and technology and will find it difficult to consider in-depth how advanced various items of technology are as well as their practicability. In view of this, we propose that the Party Central Committee, various departments, various provinces, municipalities and autonomous regions, the industrial bureaus of various municipalities as well as the larger enterprises and companies jointly establish a "planning commission for scientific, technological and economic development," which can serve as a technological and economic advisory agency for the leading bodies at various levels. This commission can pool the wisdom of scientists, economists, enterprise management experts and those in the intelligence circles. It can evaluate major policies concerning technology and economic policies in terms of technology, economy and harmfulness, so that each construction project or scientific research project can embody the optimal and organic integration of advanced technology and economic rationality, and that the degree of blindness can be reduced and the policies become more scientific.

3) At present, the state awards prizes for scientific and technological inventions, but this is not enough. We should also devise a "regulation on awards for economic rationalization proposals" and establish a fund for awarding proposals on rationalizing economic work. The source of the fund may lie in the profits earned by enterprises due to the adoption of rationalization proposals. The awards can be added as follows according to the importance of the rationalization proposals: state awards, provincial and municipal awards, departmental awards and awards given by enterprises. They can reward comrades who make rationalization proposals on our country's technological and economic work and whose proposals bring about marked practical results. The awards may be extended to a larger number of people. The

evaluation of economic rationalization proposals may be entrusted to the "planning committees for scientific, technological and economic development" at various levels, so that experts in various fields can evaluate the extent of rationalization in the proposals.

4) For many years, there have been practices against objective economic laws such as senior officials putting their own will in command, blind direction, a craving for large-scale projects, foreign things, large output and completeness in enterprises and so on. Such practices have caused duplicate construction, blind importing of foreign things and great losses for the state. To alter this situation, we must strengthen ideological education for and help improve the expertise of the leading cadres and enterprise management cadres engaged in economic work at various levels, and also serve necessary penalties to those decision makers who have consistently not worked according to objective economic laws and natural laws and have thus made the state suffer due to economic losses. Such decisionmakers should even be investigated to affix legal responsibilities. We propose that the state should promulgate laws concerning economic work and establish a good economic management system as soon as possible. (Revised in July 1980)

CSO: 4006

NATIONAL POLICY AND ISSUES

BRIEFS

NEI MONGGOL ECONOMIC SITUATION--According to our sources, the Nei Monggol Regional Statistical Bureau conducted a survey in the summer of 1980 on the basic economic situation in the first quarter of some 2,628 staff members and worker families engaged in 11 professions and trades in Hohhot, Chifeng and Hailar municipalities. The results of the survey indicate that the total per capita monthly income of families of staff members and workers in these three municipalities averages 31.3 yuan, of which the income for living expenses is 28.45 yuan. In 1980 the employment rate rose by 53 percent over that of the corresponding 1965 period, and the rate of the average per capita income for living expenses increased 46.06 percent over that of 1965. [Text] [SK190730 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 18 Jan 81]

CSO: 4006

ECONOMIC PLANNING

'RENMIN RIBAO' URGES ENTERPRISES TO PRACTICE THRIFT

HK090520 Beijing RENMIN RIBAO in Chinese 6 Jan 81 p 1

[Commentator's article: "It Is Good To Be 'An Iron Cock That Does Not Shed Even a Single Feather'"]

[Text] The large rooster printed on the cover of the 1981 calendar and the singing rooster designed by the famous artist Zhang Ding for the New Year stamp issued by the Ministry of Posts and Telecommunications tell people that the year of the cock is now with us. In this year of the cock in which we will be making major economic readjustments, scaling down our capital construction, reducing administrative and operating expenses and eliminating financial deficits, we should promote the spirit of the "iron cock."

Naturally, by "iron cock" we do not really mean a cock cast in iron. We mean the "iron cock" of well-known Chinese folklore--"an iron cock that does not shed even a single feather," used to describe a miser who is unwilling to spend a single penny. Sometimes you only have to say "he is an iron cock," and others immediately understand what you mean.

Describing a miser as one who "does not shed even a single feather" is probably an invention made by Mencius more than 2,000 years ago. At that time, he criticized Yang Zhu, the founder of another school of philosophy, as an extreme egoist. He said: "Yang Zhu is a self-seeking person who will not shed a single feather even if this would benefit the whole country." ("The Book of Mencius": "On Doing One's Utmost") Later, we ridiculed the misers as people who "do not shed even a single feather." The "iron cock" probably derives from this saying. It is obviously a derogatory term implying extreme meanness. Today we are restructuring our national economy and tightening our financial expenses. Wouldn't it be good if we use the "iron cock" as a symbol to remind those cadres who are in charge of money matters for the cause of socialism, comrades who work in the financial and economic departments, cadres who lead the industrial and mining enterprises and all other personnel who are responsible for funds and properties to be strict in implementing our financial and economic policies, in practicing economy and in reducing expenditures? In our nation, where the system of ownership by the whole people and the collective ownership system play an absolutely predominant role, it is imperative that we bring the spirit of the "iron cock" into full play in order to protect state and public properties!

In the field of capital construction, scrambling for investments and materials has become a common practice for many years in the past. Once they got what they wanted, they cared not whether the investment returns were good, whether the investments and materials were properly utilized and how much money they could make. Some comrades rashly decided on projects, including major imported items, and casually gave approval for commencement of projects, thus causing great waste. It was heartbreaking to see bricks and tiles broken into pieces, cement being washed away and mechanical equipment being exposed to the wind and rain on construction sites. In this respect, it is imperative that we fully bring into play the spirit of the "iron cock" that does not shed even a single feather!

Among our manufacturing and mining enterprises, some have disrupted our financial and economic system and issued bonuses indiscriminately on various pretexts. Some have wasted raw and other materials and piled up substandard and unmarketable products in their warehouses, while others have wantonly issued instruments of labor, and even asked the state to reimburse the money they spent on banquets to entertain guests. In order to overcome these phenomena, it is imperative that we fully bring into play the spirit of the "iron cock" that does not shed even a single feather!

In organizing inspection tours to foreign countries, some delegations have more administrative personnel than technical personnel. As a result, the delegations have accomplished very little. Some units pay duplicated visits to obtain the same information. They even go on their tours when there are no corresponding units abroad. Some of them conduct inspection tours in name only. In essence, they use the opportunity to visit foreign countries for sight-seeing purposes. In order to solve these problems and strictly control the use of foreign exchange, it is imperative that we fully bring into play the spirit of the "iron cock" that does not shed even a single feather!

In short, the trend of spending money freely and failing to strictly "guard the passes" must be reversed. Many comrades believe that ours is a large country and that to spend some money is nothing more than plucking a single feather from a large rooster. However they do not realize: you pluck one feather, I pluck one feather and he also plucks one feather. If all the people vie with one another to pluck feathers whenever they see them, it will not be very long before a large rooster full of feathers is turned into a featherless one. Some comrades feel sorry when they lose a hair or two, and fear pain if someone wants to pull a fine hair out of them. However, they are extremely "generous" in dealing with hairs that belong to the state and to the public. Naturally, on our economic front, there are many people who uphold the principle and advocate the system. Remaining impartial and incorruptible, they have strictly guarded the properties of the state and the collective, and refused to spend a penny randomly. They are "unwilling to give up even a hair" so that the whole country will benefit. In particular, many comrades of the construction bank have "guarded the passes" for the state and practiced strict economy in making many investments. This kind of spirit is worthy of our learning.

Naturally, "unwilling to shed even a single feather" is an extreme term. There are still some necessary expenses. However, we must spend money rationally and save as much as we can. Everyone in charge of fiscal matters and material supplies for the state and the collectives should carry forward the spirit of the "iron cock" and resolutely refuse to "shed even a single feather." In this way, we will feel at ease and justified even if we may be accused of being miserly.

ECONOMIC PLANNING

'XINHUA' ON PROBLEMS IN FORMING ECONOMIC ASSOCIATIONS

OW201422 Beijing XINHUA Domestic Service in Chinese 0703 GMT 20 Dec 80

[Letter from XINHUA reporter Fan Shi: "Form Economic Associations Commensurate With Capabilities"]

[Excerpts] Chengdu, 20 Dec (XINHUA)--While the national economic structure is being reformed, enterprises are now being formed into a variety of economic associations which are important for promoting industrial readjustment, carrying out cooperation among specialized departments and developing production. However, one phenomenon in the process of forming economic associations deserves our attention. Some economic associations, under the name of joint ventures, are actually building their plants and expanding existing or starting new projects by acquiring loans. As a result, the scale of capital construction is expanding instead of shrinking.

It has been learned that some of the economic associations now being formed have the factory buildings but lack the equipment. Some have bought the equipment but lack the circulating funds, and others simply do not have enough equipment, raw materials and funds. They are all funded by bank loans. Economic associations formed in such a haphazard way do not proceed from realities or develop step by step. New construction projects are started and more investments demanded as soon as an association is formed. It is difficult to yield the anticipated economic results in this way, and the state might incur losses through wastefulness.

Having analyzed the causes of this phenomenon, comrades of the economic departments concerned attributed this to the fact that some departments and enterprises fail to understand the significance of the national economic readjustment, that they concern themselves solely with the expansion of the production capacity and that they pay no attention to the economic results. On the other hand, the practice of building factories with huge loans is also related to the present economic system. At present, many administrative organs have the power to approve the construction projects of these economic associations. The economic commission, the planning commission and the leading departments at all levels can make arrangements. There are also many sources of funds. In addition to the investments by the participating enterprises, there are funds provided by the People's Bank, the Agricultural Bank, the Construction Bank, Bank of China, financial departments and the investment corporations. The interest rates are confusing. Sometimes a construction project may derive its funds from several sources. This inevitably leads to the blindness and repetition in construction.

CSO: 4006

FINANCE AND BANKING

BRIEFS

HENAN PEASANTS SAVINGS--Peasants savings had increased by leaps and bounds this year in Henan Province. Rural peasants savings amounted to 1.42 billion yuan, showing an increase of 53 percent over last year and township and municipal peasants savings were also increased by 300 million yuan. In order to encourage savings, people's banks in all areas throughout the province had strengthened leadership over savings work, improved service and increased the savings' interest rate. Capital increased as a result of increased savings, thus facilitating industrial and agricultural development. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 31 Dec 80 HK]

HUBEI RURAL SAVINGS--According to statistics, by 20 December, the amount of savings of all commune members throughout Hubei Province was 350 million yuan, 140 million yuan more than in the corresponding period last year. The rate of increase was 40 percent. The average savings of each peasant increased by 3.6 yuan. The savings of commune members of 71 counties out of 72 the province's counties was greater than last year's. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 30 Dec 80 HK]

CSO: 4006

ENERGY

BRIEFS

SHANXI ELECTRICITY--Through readjustment, Shanxi's electricity industry has eased the pressing demand for supply and fulfilled the generating plans for this year 10 days ahead of schedule. In the past 2 years, the electricity industry bureau has grasped construction of the key powerplants. At the same time, the bureau has conducted technical innovations in the old plants. During these 2 years, the bureau has increased the number of 35 kilovolt transmission lines by 1,021 kilometers. According to statistics, the rate of coal consumption for generating electricity in 1980 was reduced by more than 2 grams as was planned, saving a total of 18,000 tons of coal. The power generating plants also saved 1.5 million kilowatt-hours of electricity. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 31 Dec 80 HK]

LIAONING OIL CONSERVATION--Thermal power plants in Liaoning Province has modified their boilers to burn coal instead of oil in accordance with the generator renovation plan set forth by the provincial power department in early 1978. As of now, equipment with some 1.25 million kilowatt generating capacity has been modified and some 1.2 million tons of fuel oil saved. The Qinghe, Liaoning, Chaoyang, Fushun and Shenyang power plants all had some of their oil-burning boilers modified. The Liaoning power plant has modified each of its five oil-burning boilers, saving some 190,000 tons of oil each year. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 7 Jan 81 SK]

JILIN POWER GENERATION--Jilin provincial power departments overfulfilled the 1980 power generation plan by 800 million kwh, an increase of 9 percent over the 1979 figure. The amount of coal used for generating 1 kwh of electricity was 5 grams less than expected. Some 40,000 tons of standard coal were saved as a result. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 6 Jan 81 SK]

JILIN COUNTY POWER GENERATION--Three power generator sets with 2.61 million kwh designed capacity were installed in (Dazhong) power station in Helong County, Jilin Province, near the upper reaches of the Tumenjiang River on 10 December 1980. After being put into trial operation, two of the power generator sets proved to be successful. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Jan 81 SK]

GUANGDONG POWER TRANSMISSION PROJECT--The people in Guangdong Province have completed construction of a 220,000-volt transmission project which will improve the electricity supply in Meixian and Shantou prefectures. The project was put into operation on 29 December, and eased the pressing demand for electricity in these two prefectures. Formerly, Meixian Prefecture relied on its electricity supply from

small hydroelectric and thermal electric power stations. During the dry season, the hydroelectric power stations had to stop operations. In Shantou Prefecture, the people also had to rely on their electricity supply from the small electricity network. The newly completed transmission line is 247 kilometers in length, including 693 blocks of wire to support the frames. Most of these blocks were built on mountain areas which made their construction very difficult. [HK070757 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 29 Dec 80 HK]

INDUSTRIAL POWER CONSUMPTION--China's light and textile industries used some 30 billion kwh of electricity in 1980, topping that of the previous year by a big margin. [Beijing Domestic Service in Mandarin 1200 GMT 8 Jan 81 OW]

RURAL POWER CONSUMPTION--Beijing, 8 Jan (XINHUA)--Rural consumers of electricity in China used 37,000 million kilowatt-hours of electricity last year, 13.8 percent more than in 1979, according to the Ministry of Power Industry. The increase was the biggest since 1949. If electricity used by county-run industries directly serving agriculture is included, rural power consumption in 1980 accounted for a quarter of the nation's total. The Chinese countryside now has 3.1 million kilometers of power transmission lines, and transformers and electric motors with a total capacity of 95 million kilovolt-ampere and 60 million kilowatts respectively. Electricity from state power grids and numerous county- and commune-run small thermal and hydroelectric power stations now reach 90 percent of the communes, over 60 percent of the brigades and more than half of the production teams. The electric power irrigation system brings water to more than 18.6 million hectares of farmland. [Text] [Beijing XINHUA in English 0815 GMT 8 Jan 81 OW]

ZHEJIANG POWER TRANSMISSION--Another 220,000 volt hightension transmission line has been installed between Zhenhai and Xiaoshan in Zhejiang province in October 1980. With a total length of 180 kilometers, the transmission line costs the state 20,950,000 yuan. So far, the province has 11 220,000 volt transmission lines. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 23 Dec 80]

CSO: 4006

INDUSTRY

BRIEFS

CONSUMER PRODUCTS OUTPUT--Beijing, 7 Jan (XINHUA)--A big rise was registered in the output of television sets, radio sets, bicycles, sewing machines and wrist watches in 1980 over 1979, according to the state statistics bureau. Output of TV sets was 2.44 million, an 83.8 percent increase over 1979; output of radio sets came to 28.7 million, a 110 percent increase over 1979; bicycles, 12.99 million, a 28.7 percent increase; sewing machines, 7.66 million, a 30.6 percent increase; and watches (mostly wrist watches) 22.55 million, a 28.9 percent increase. China now has seven million TV sets, averaging 1 for every 140 people; 118 million radio sets, averaging 1 for every 8 people; 95 million bicycles, averaging 1 of every 10 people; 45.7 million sewing machines, average 1 for every 21 people; and 127 million wrist watches, average 1 for every 8 people and almost every wage-earner has a watch. [Text] [Beijing XINHUA in English 1500 GMT 7 Jan 81 OW]

CSO: 4020

CONSTRUCTION

'RENMIN RIBAO' ON URBAN HOUSING CONSTRUCTION

HK181410 Beijing RENMIN RIBAO in Chinese 26 Nov 80 p 1

[Commentator's article: "Continue To Pay Close Attention to Urban Housing Construction"]

[Text] Paying close attention to housing construction in urban, industrial and mining areas is an important task for gradually improving the people's livelihood. We must continue to pay close attention to and successfully grasp this task.

With the joint efforts made by the state, localities and enterprises in recent years, there has been a relatively quick development of housing construction in urban, industrial and mining areas throughout the country. A total of 120 million square meters of floor space was under construction in 1979, and a total of 60 million square meters of floor space was completed in the same year, an increase of 50 percent as compared with 1978. A total of 103.56 million square meters of floor space was under construction from January to October this year and a total of 32.33 million square meters of floor space was completed during the same period. These figures fully reflect the loving care shown by the party and the government for the livelihood of the urban people.

It is true that urban housing construction work has been carried out with great speed in the past 2 years. However, the work still cannot meet actual needs. For many years, due to mistakes in promoting the leftist line, the work in improving the livelihood of the masses has been regarded as promoting revisionism; stress has been put on promoting production and has not been put on improving the people's livelihood; industrial construction has been stressed but urban construction neglected; and the proportional relations between "bone" [gutou 7539 7333] and "meat" [rou 5131] have been in a state of serious imbalance. In particular, there are many more problems left over from the 10-year calamity. Moreover, due to the huge increase in urban population, urban houses are still in great demand. It should be pointed out that in some areas, departments and units, the concept of "production before livelihood" has not been completely resolved up to now. They still have not put housing construction in its proper important place. The ultimate aim of socialist building is to gradually achieve a continuous improvement in the people's living conditions including housing conditions. Historical experience shows that it is imperative to let the masses of people see concrete instances of the improvement in their living conditions. If the people's living conditions are gradually improved, their ideological questions can be easily resolved. Only by gradually improving the people's

conditions can we give full play to their enthusiasm for production and their initiative and creativeness in production. Therefore, any slack in the efforts made for urban housing construction or any concept of being content with the existing conditions of urban housing construction is wrong.

In solving urban housing problems, we must do what we are capable of. We all know that it is quite difficult to solve our urban housing problems. In particular, China is an economically backward country with a huge population. In retrospect, we may say that the remote cause of China's difficult urban housing problems is that there are problems left over from the Kuomintang period. Furthermore, we may say that the immediate cause of China's difficult urban housing problems is that such problems were caused by the sabotage of the Jiang Qing counterrevolutionary clique and the influence of the leftist line in our economic work. It is impossible to solve longstanding problems very quickly. During the current period of economic readjustment, it is necessary to further cut down our capital construction projects. Since our country is still beset by many difficulties, it is impossible for the state to spend more money on urban housing construction. The party and the government have already adopted many measures in the past few years to raise the people's living standard. Improvement in the people's living conditions can only be made on the basis of developing production and raising labor productivity and in accordance with the country's capability; our longstanding problems can only gradually be solved. Moreover, with the current implementation of the two-level finance program and with the current expansion of the self-management rights of enterprises, localities and enterprises in the next ten years can and should spend more money on urban housing construction, on building residential facilities and other structures related to the people's livelihood.

There are big problems involved in paying close attention to urban housing construction. Judging from our short term goal of solving urban housing problems, we can see that in the next few years, our capability to construct houses in urban, industrial and mining areas throughout the country will still fail to keep pace with actual demand. This is a big problem. Since everybody wants to build new houses, some new contradictions and problems in the supply of building materials, the demolition and removal and the requisition of land are bound to emerge. We can surely handle many matters well and overcome difficulties as long as we conscientiously carry out our work. On the basis of making investigations and studies, we should fully tap the potential of all sides, do well in conscientiously formulating housing construction plans, do well in organizing the production and the supply of building materials and in regulating building materials, and firmly grasp housing construction in various ways. These ways include making state or local investment in housing construction, having enterprises raise their own funds for housing construction, winning housing construction loans from banks, raising private funds for housing construction, carrying out private housing construction with the help of the state and rebuilding old houses.

Building houses in urban areas after the pattern of industrial mass production can quicken the pace of urban housing construction. Cities that are capable of carrying out comprehensive housing construction development should actively try to do so. In other words, a city's comprehensive housing construction development should center around the city's public facilities including various complete sets of projects such as geological survey, architectural design, land requisition, the demolition, removal and settlement on the land, the leveling of land, road building, water

supply system, drainage system, power supply system, gas supply system, heating system and communications system. This kind of development should be under the unified management of a development company. In particular, in carrying out housing construction in newly developed areas or in building a block of houses in a street, we may adopt the method of exercising unified management of real estate, planning, construction and sales, build houses in batches and deliver new houses to consumers in accordance with contracts concerned or sell new houses to units or individuals.

The problem that urban public facilities and services fail to keep pace with housing construction is still a weak link in the current urban housing construction work. New houses in some areas have been vacant for a very long time due to the lack of tap water, sewers, grain and grocery shops. If the problems caused by this weak link are not solved, it will be useless to build more new houses. From now on, we must do well in firmly promoting the building of public facilities so that all newly built houses can be immediately occupied after the completion of housing construction.

In building houses in the urban areas, we should pay attention to practicing economy, making rational use of building materials and creating artistic features for the houses. With regard to issues concerning the height of houses, the style of houses and the utilization of the plane surface of houses, we should conscientiously make studies and designs in order to practice economy and make rational use of building materials. Generally speaking, the actual living space of our existing buildings of two or more stories accounts for only about half of the construction space of such buildings. Therefore, we should actively study ways to increase the living space of our buildings. We must have more varied houses with more artistic features. We must check the trend of building stereotyped houses with dull coloring. We should encourage our design personnel to boldly create new ideas and to design economical, practical and beautiful houses. Leading cadres at all levels must offer them the necessary self-management rights to make creative architectural designs.

CSO: 4006

CONSTRUCTION

BEIJING INCREASING HOUSING CONSTRUCTION

OW131212 Beijing XINHUA in English 1200 GMT 13 Jan 81

[Text] Beijing, 13 Jan (XINHUA)--Beijing built 71,000 apartments in 1980, 34 percent more than the previous year, and 6.03 million square meters more are under construction, said a spokesman for the Municipal Statistics Bureau.

The spokesman said this was one million more than had been expected.

The official said that housing projects completed last year accounted for 64 percent of total construction projects in the city, compared with only 56 percent in 1979. The typical apartment consists of two bedrooms, kitchen and bath, totaling fifty square meters.

In addition to putting housing construction high on the agenda, Beijing authorities slashed industrial projects to build ten schools, which can enroll some 10,000 students.

Other new projects completed include 15,000 square meters of cold storage, a number of department stores and shops, five hotels and 13 restaurants. The city also expanded Cuiyangliu, Jishuitan and Erlonglu hospitals, adding 800 beds.

Housing construction this year will keep step, said an official from the city's capital construction committee, although the scope of capital construction as a whole will be much reduced under the present policy of economic readjustment. Detailed plans for building houses, schools and services have already been worked out and passed down to engineering units.

CSO: 4020

CONSTRUCTION

BRIEFS

BUILDING CONSTRUCTION--According to statistics released by the general administration of building engineering, state-run building construction enterprises throughout China completed construction projects worth 8.66 billion yuan in 1980, topping 1979 by 15.2 percent and earning an all-time-high profit for the state. [Beijing Domestic Service in Mandarin 1200 GMT 8 Jan 81 OW]

LIAONING RELIEF FUNDS--Haicheng County recovered from an earthquake after 6 years' work, using some 100 million yuan of state relief funds to repair and rebuild over 11.14 million square meters in housing floor space. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 15 Jan 81 SK]

CSO: 4006

DOMESTIC TRADE

BRIEFS

SHANGHAI MEDICINE PRICES--Shanghai, 6 Jan (XINHUA)--Shanghai's pharmaceutical factories have cut the prices of 127 kinds of medicine by an average of 20 percent--some by as much as half. This is the result of competition from drug companies in other parts of the country. Shanghai used to sell more than 30 percent of its medicines to other areas, but with the rapid rise of the pharmaceutical industry throughout China, its market was dwindling. The price cuts, which have now restored Shanghai's competitive edge, were made possible by improved production techniques and lower costs. Shanghai drug companies are also preparing to enter cooperative production arrangements with smaller plants in other parts of China. The Shanghai No. 5 pharmaceutical plant has already signed agreements with 11 plants in Shandong, Shaanxi, Hubei and Beijing. [Beijing XINHUA in English 0708 GMT 6 Jan 81 OW]

CSO: 4020

LABOR AND WAGES

BEIJING YOUTH PROSPER IN COLLECTIVE ENTERPRISES

OW110258 Beijing XINHUA in English 0248 GMT 11 Jan 81

[Text] Beijing, 11 Jan (XINHUA)--The new collective business enterprises in 10 Beijing districts in the city and suburb run by former unemployed youth reaped a total profit of 60 million yuan last year, doubling the 1979 figure, according to a recent report in the BEIJING DAILY.

As a result the average monthly income of these young people is up by 30 percent and more.

Of the 20,000 young people placed in collective enterprises last year, 16,000 have agreed to stay on as regular staff. Usually, young people waiting for jobs are given temporary positions in collective enterprises and are paid as casual workers. They are free to leave when vacancies in state-run enterprises open up or enter college if they pass the exams. Now youth-run collective enterprises are prospering, many want to make them their permanent careers.

The young people have designed over 200 new products, including much-welcomed handicraft products like hand-made umbrellas, and imitation ancient bronze utensils, as well as clothing. Due to their initiative, profits on some products have grown five or six times.

District governments help the collectives by training staff in accounting and business management. 3,500 young people went through such training last year.

The report noted however that the youth-run collective enterprises still have certain difficulties like lack of space and need for better supply and marketing channels. The BEIJING DAILY urged government departments concerned to help them.

CSO: 4020

TRANSPORTATION

BEIJING REPORTS ON COMPLETED PROJECTS IN 1980

OW141242 Beijing XINHUA in English 1226 GMT 14 Jan 81

[Text] Beijing, 14 Jan (XINHUA)--Beijing municipal engineers built six overpasses and over than 53 kilometers of new roads in the capital last year, the Municipal Capital Construction Committee said today in a report on the year's achievements in urban development. The works departments also laid 38 kilometers of water mains and 34 kilometers of sewer pipeline.

The principal road projects were the completion of the number 2 ring road which follows the route of the old city wall, the east Tiyyuguan (stadium) road in southeast Beijing and Xindong Road in the eastern part of the city. Eleven city roads were widened from a dozen-or-so meters to 40 meters to provide bicycle lanes.

Laying of subway tracks under the number 2 ring road was completed during 1980 and 13 subway stations were nearly finished by the end of the year.

Water supplies were improved, mostly in the southeast suburbs near the number 8 water works where new residential quarters were hooked up to the mains. Water works engineers have drilled 33 new wells in the area, nearly doubling the supply of pure water.

The newly-built Beijing coal-gas works in the eastern suburbs is expected to be in operation soon, following the installation of major equipment towards the end of 1980. In the center of the city, heating pipes from the number 2 thermal power plant were extended along Fuxingmenwei Street to new buildings, including offices and a hotel.

The year saw some improvement in the phone system in Beijing. A new automatic exchange was built in the northern suburb of Xunyi, adding 2,000 phones, and the new number 76 sub-exchange added 2,300 phones in south Beijing. New exchanges are being built in Dongzhimen, northeast Beijing, and Guangqumen in the southeast.

The works departments paid greater attention to beautifying the city with lawns or small shrubberies and rockeries on all the main thoroughfares. They also planted 700,000 trees.

The junior members of society were not forgotten. Beijing Zoo built a small Children's pleasure park in Zhongshan Park.

CSO: 4020

TRANSPORTATION

PRC MINISTRY TO SPEED UP SHIPMENT TO HONG KONG

HK090319 Hong TA KUNG PAO in Chinese 8 Jan 81 p 1

[Special dispatch by TA KUNG PAO Contributing Correspondent: "With the Increase in China's Exports Through Hongkong, the Ministry of Railways has Decided to Adopt Six Measures to Speed up the Shipment of Commodities to Hong Kong, Insuring that Quality Commodities Will Be Supplied to the Hong Kong Market in a Timely Way"]

[Text] Beijing, 7 January--It has been learned from China's railway departments that the latter are considering how to improve management methods regarding the railway shipment of supplies to Hong Kong so as to make full use of the transport capability of the railway depots in Shenzhen and to insure that balanced and appropriate amounts of quality commodities will be supplied to the Hong Kong market in a timely way.

According to personalities of the Ministry of Railways, the 1980 railway transport tasks for foreign imports and exports in the ports along the coast were all properly fulfilled. The railway departments have basically made the shipments in a timely way without any overstock. Last year, the Guangzhou Railway Bureau always took the shipment of imports and exports as its key task and gave priority to arrangements for their shipment. The bureau organized a fixed number of wagon chassis, special wagons, reserve wagons and special tarpaulins and made very great efforts to do a relatively good job in fulfilling the import and export transport tasks in the ports along the coast.

However, people have noticed the fact that the shipment task for Chinese exports to Hong Kong through the Shenzhen depots has not been properly fulfilled. The main reason is that after the restructuring of foreign trade system in recent years, more and more provincial and municipal export materials are being shipped by rail to Hong Kong. For example, last December, various materials departments requested the service of an average of more than 440 wagons each day. However, the Shenzhen ports could only make arrangements for use of 200 wagons. Moreover, because the Hong Kong railway departments do not carry out operations at night and because there were many public holidays during the year, there have been difficulties in smoothly transporting the wagons in accordance with the agreement (between the Chinese and Hong Kong administrations on the sections of the Guangzhou-Kowloon Railway). As a result, the Shenzhen north station has frequently been in a state of congestion, thus adversely affecting the normal operations of the station.

To adapt to the situation regarding the restructuring of the foreign trade system and in which various provinces, municipalities and regions have developed their own export business to Hong Kong, and to make full use of the transport capability of the railway depot of Shenzhen, the railway, communications and foreign trade departments will take the following major steps this year regarding the shipment of commodities supplied to Hong Kong:

--Adopt diversifying measures and bring into full play shipment capability by sea. All provinces and municipalities along the coasts and the Changjiang River which export materials to Hong Kong should do everything possible to take the sea route and make use of river and sea transport. Apart from transportation of perishable, special and urgently needed materials which should be shipped to Hong Kong through Shenzhen, the best use of other means of transport should be made in order to diversify the shipment tasks. Those inland provinces in which ports have been built on the Changjiang River should do everything possible to ship their materials supplied to Hong Kong by means of river and sea transport.

--Make full use of the Wenjindu Highway for export of commodities through Shenzhen to diversify the traffic so as to increase the supply of materials to Hong Kong.

--Practice a unified and balanced management system according to the different categories in handling the materials supplied to Hong Kong through Pingshikou and Shenzhen. Wagons will be allocated depending on the factors and with due consideration to general factors.

--Strengthen cooperation between the foreign trade and railway departments, formulate proper arrangements and plans for railway transport according to the transport capability of the Hong Kong Railway Administration, properly organize planned and balanced shipments, prevent overstocking and avoid waste.

--Increase storage capacity in the Shenzhen area and bring into full play the transport capability of motor vehicles. In this way, the problems of congestion in the railway station and overstocking can be solved, material loss can be reduced and foreign exchange income can be increased.

--Persistently run the express freight train transporting mainly fresh and perishable commodities to Hong Kong. Unless approved by the Ministry of Railway, the express freight train must not stop its service.

It is generally held here that these are significant measures in developing trade with Hong Kong.

CSO: 4006

TRANSPORTATION

EMERGENCY PLANE LANDING IN URUMQI DESCRIBED

OW112054 Urumqi Xinjiang Regional Service in Mandarin 1620 GMT 11 Jan 81

[Newsletter: "Something Unexpected Has Happened--Emergency Night Landing of Plane No. 2412"]

[Excerpts] At 2345 on 20 November 1980, an emergency message was received from a Karachi-bound Boeing No. 2412 aircraft on international flight 941: "Urumqi, we have trouble in our hydraulic system, and all hydraulic oil has leaked out. We decide to return and land in Urumqi."

The air traffic controller on duty, (Chen Yongxiang), upon hearing the message, sensed the emergency. Due to poor weather conditions, the Urumqi airport had already been closed from 2200 to 1000 the next day. However, there was no other airport in the vicinity suitable for the landing. When he thought of the full load of Chinese and foreign passengers on the plane, he made a prompt decision and replied: "Agree to your landing in Urumqi. We shall do whatever we can to ensure your safe landing."

A battle to ensure the safe emergency landing of plane No. 2412 began. Ambulances, fire engines, tractors and ground crew arrived one after another. Communications and navigational equipment were turned on. By this time, plane No. 2412 was flying above the airport.

Air traffic controller (Ren Zongmao), microphone in hand, fixed his eyes toward the direction of the plane's approach to the airport and strained his ears to discern the noise of the plane. When the plane descended to an altitude of 80 meters, he heard its noise. When the plane was 50 meters above the ground, he discovered that the plane was far to the left of the runway. He immediately directed in a loud voice: "Pull up! Try again!"

The plane rose to an altitude of 600 meters and flew into the clouds for a second time. With the help of radar, the plane landed safely at last at 0028. The tense battle of the emergency night landing came to an end.

CSO: 4006

TRANSPORTATION

BRIEFS

RAILWAYS TOP 1980 QUOTAS--Beijing, 12 Dec (XINHUA)--China's railways have met the 1980 passenger transport quotas 26 days ahead of schedule and freight transport quotas 24 days ahead of time, according to the Ministry of Railways. By 7 December, the railways had carried a total of 845 million passengers and more than 1,020 million tons of goods. The volume of cement, timber, chemical fertilizer, grain, cotton and phosphate ores moved by rail was up between 11 and 33 percent compared with the same period of 1979. Of the country's 8 railway administrations, 12 have met their 1980 freight transport targets ahead of schedule. [Text] [Beijing XINHUA in English 0730 GMT 12 Dec 80 OW]

NEW RAILWAY LINES--Beijing, 11 Jan (XINHUA)--The PLA railway engineer corps built eight new railway lines last year to coal mines, power plants and petroleum plants in support of energy production. The eight railway lines are as follows: The railway line to Henan's Jiaozuo power plant; the railway line to Xiaolizhuang in Zhengzhou, Henan; the railway line to Ximing coal mine station in Shanxi; the railway line to Luanliu coal loading station in Pingding, Shanxi; the railway line to Xiaowan, Hubei; the railway line to Hailar Petroleum Company in Nei Monggol; the railway line to Delingha in Qinghai; and the railway line to Zhangguizhuang in Tianjin. [OW111731 Beijing Xinhua Domestic Service in Chinese 0126 GMT 11 Jan 81 OW]

JOINT TRANSPORTATION MANAGEMENT STATISTICS--Beijing, 22 Dec (XINHUA)--China's railway and other transportation departments have achieved fairly good success in carrying out joint transportation management this year. According to statistics, 39.5 percent of the domestic freight, which used to be handled by the maritime transportation enterprises under the Ministry of Communications, and 3.6 percent of the railway freight has been brought into joint water-land operation, and 50 million dun of freight has been delivered through joint water and land transportation this year, thus conserving approximately 200 million yuan of freight for the consigning units. [Beijing Xinhua Domestic Service in Chinese 0216 GMT 22 Dec 80 OW]

HIGHWAY PASSENGER TRANSPORT--Changsha, 8 Dec (XINHUA)--The Ministry of Communications recently held a national meeting in Changsha to exchange experiences in promoting highway passenger transport and to introduce experiences of joint operations conducted in Jiangsu's Suzhou Prefecture as well as in Yunnan and Jiangxi provinces. There are 2 passenger transport companies in Jiangsu's Shuzhou prefecture, one run by Suzhou prefecture and the other by Changshu County. To solve various problems caused by the competition, the two companies agreed, after consultation, to start a joint operation, and set up a rural public bus company. Since the establishment

of the new company, competition for routes and passengers have become unnecessary, efficiency in dispatching motor vehicles has increased and the passengers have greater convenience. At the same time, the consumption of fuel decreased and the profits for both original companies increased. The average income from each vehicle for Changshu County Passenger Transport Company increase by 33 percent as compared with the past years. [Beijing Xinhua Domestic Service in Chinese 0142 GMT 8 Dec 80 OW]

HIGHWAY IMPROVEMENT--Beijing, 7 Jan (XINHUA)--A recent forum on technical improvement of highways in the country pointed out that the task of highway transport departments in 1981 is to improve the present highways so as to raise the efficiency and minimize the cost of transportation. Specifically, the forum urged efforts to do road maintenance work well, widen narrow roads, improve dangerous sections and solve the problem of traffic congestion. As of the end of 1980, there were some 875,000 kilometers of highways in the country, but only 57.8 percent of them met the technical standards for highway engineering set by the Ministry of Communications; only 11,700 kilometers were class A and class B highways. [China 91325 Beijing Xinhua Domestic Service in Chinese 0137 GMT 7 Jan 81 OW]

ELECTRIFIED RAILWAY SECTION OPENING--Xian, 8 Dec (XINHUA)--A 150-kilometer electrified section of the Longhai Railway, a vital artery linking east and west China, opened to traffic today. The section runs from Baoji, a city in Shaanxi Province, to Tianshui in neighboring Gansu Province. The rugged, mountainous terrain used to adversely affect transportation over this section of the Longhai line, which starts from Lianyungang City in Jiangsu Province and terminates in Lanzhou, capital of Gansu Province. The completion of the electrification project will double the section's volume of goods carried, thus greatly promoting material and cultural exchanges between east China and the country's northwest border areas. In electrifying and revamping the section, some new tunnels were driven, the longest being 1,484 meters, 65 percent of the old tunnels and 17 railway stations were rebuilt and more than 150 bridges built or rebuilt. The work began in 1978 and was done while trains were still in normal operation. Only 3 to 4 hours a day could be devoted to the project, when the railway was closed to traffic. [Text] [Beijing XINHUA in English 1212 GMT 8 Dec 80 OW]

CSO: 4020

GENERAL

HONG KONG PAPER REPORTS ON BEIJING PRICE PROBLEMS

HK090014 Hong Kong TA KUNG PAO in Chinese 6 Jan 81 p 2

[Special feature by TA KUNG PAO Correspondent Tsao Chi-yun: "A Look at the Factors of Price Fluctuations in Beijing"]

[Text] A Significant Rise in the People's Purchasing Power

With temperatures well below zero in Beijing, it is the off season for tourism but the peak period for shopping at the end of the year.

The piercing cold north winds blows on people's faces like a knife. Scenic and historic spots like Beihai, Shishahai, and Kunming Lake are almost deserted except for youths skating there. On the other hand, restaurants like Conglaishun, Quanjude and "Goubuli Baozi" are crowded with people everywhere. Midwinter is the right season for instant-boiled mutton. The five large department stores are packed with people doing their shopping.

People often talk about the rise of prices. It is true that the prices have risen. Take fruit sold in the streets for example, Tianjin pears sell at 0.48 yuan per jin, large oranges at more than 0.8 yuan per jin, and the price of Beijing persimmons rose from 0.25 to 0.33 yuan within 2 weeks, the prices have increased by 2 to 3 times. This poses a real threat for the middle and lower white-collar class. Eggs in the free market sell at 0.17 yuan each, which is 50 cents in Hong Kong currency. That is very much higher than the price in Hong Kong. They are in fact rather expensive.

It is undeniable that the prices of many things have been raised. This is a phenomenon of inflation. People are striving to purchase materials because demand outruns supply. On the other hand, when people have money in hand, they would like to buy some appliances such as wristwatches, television sets and furniture in order to add color to their lives. It is an undeniable fact that people's purchasing power has increased. Such a phenomenon has appeared not only in Beijing, but throughout the country.

Strolling along Beijing streets, we can see that many state-owned shops have established counters for negotiated-price commodities. As its name suggests, so-called negotiated price is actually bargaining. However, recently the prices of all negotiated-price commodities have been raised. For example, Beijing Municipality

has stipulated that each person has a ration of half a jin of edible oil per month at fixed prices. If the ration is not enough, they can buy more in the negotiated-price market, where the price might be a bit higher, around 2.8 yuan per jin. If there is a regular supply of rationed edible oil at fixed prices, and people can decide for themselves whether or not to buy any more oil at negotiated prices, then people would not object to the sale of edible oil at negotiated prices. However, if there is no regular supply of edible oil at fixed prices, people are forced to buy oil at negotiated prices. Moreover, the negotiated price of oil fluctuates and sometimes it rises by several times, and so the people are discontented.

Great Fluctuation in the Prices of Negotiated-Price Commodities

Take, for example, vermicelli for winter hot-pot; in Beijing everybody has a ration of 0.2 jin per month. However, recently there has been no supply of vermicelli at a fixed price. Why? It is because the peasants have the right to refuse to sell mung beans, the raw material for vermicelli, to the state. The state only has the monopoly in purchasing staple grain. Minor nonstaple grain like mung beans and red beans ormosia were purchased by the state in the past, but now the peasants can sell them at negotiated prices or sell less than stipulated, while enterprises in other provinces also have the right to purchase them. Thus, the amount of minor nonstaple grain in state hands has decreased. This has resulted in a short supply of vermicelli. On the other hand, there is abundant supply of vermicelli at negotiated price. The situation of soybean supply is similar, and the status of bean curd is very different now.

The sale of commodities at negotiated prices is a product of the multitude of economic channels and price forms which have arisen in the process of economic reforms. Generally speaking, these are of great advantage in enlivening the economy. However, this is merely the beginning, and we lack experience. The state should in fact set up regulations to stipulate the varieties of negotiated-price commodities and determine which should and which should not be sold at negotiated prices (for example, industrial products of the first and second categories may not be sold at negotiated price.) However, some state-owned units do not abide by the regulations and the category of negotiated-price commodities exceeds the stipulated range, hence there are many commodities which should not be sold at negotiated prices, whose prices are 50 percent or 100 percent higher than the fixed prices.

At present, the state has repeatedly stressed the regulations concerning the range of negotiated-price commodities. At the same time, many stations have been set up for the citizens to keep a watch on prices, and the prices of some commodities which should not have risen are now down again, however, some commodities have "disappeared" since then.

Last year, there were natural disasters throughout the country; floods in the south and drought in the north. In general, there was a poor harvest of vegetables which resulted in a shortage of vegetables and a rise of prices. Some state-owned enterprises took this opportunity to raise the price of vegetables by a big margin in order to seek great profits. It is certain that the people are discontented with the rise of vegetable prices.

Prices of some commodities have been raised in disguised forms. Take for example grape wine. The production cost of wine is higher than before because the grapes

grown by the peasants are more expensive, however, the state does not allow a price rise. Some enterprises thus change their trade marks and raise the selling price, or they make some slight changes in their wares and raise the price in a disguised form. There are many similar examples.

China has never announced its price index, and therefore we cannot get to know the situation of the rise of prices. However, since the spring of 1978, the state has raised the procurement price of agricultural products one after another, and the income of the peasants has increased. Together with the implementation of policies in the rural areas, production responsibility systems have been generally established, thus the peasants' production enthusiasm was immensely raised. Every family is trying in every way to increase their income. When the peasants have more money in hand, their demands for wrist watches, bicycles, sewing machines, monochrome television sets and all sorts of purchases for the spring festival will increase. When supply cannot meet demand, naturally there is a rise of prices.

Abundant Supply of Materials in the Free Market

On the other hand, many factories have distributed bonuses and the workers have more money in hand. When the people have more money in hand, very naturally they will try in every way to buy more things. The author visited a quadrangle where a friend in Beijing lives; living in the quadrangle are 11 families, 9 of whom own television sets, and 1 a washing machine. When the television broadcasts the trial of Jiang Qing, they each watch it in their homes. This phenomenon shows very clearly that the income of the people has risen in the past 2 years because of the readjustment in salary and the distribution of bonuses.

In the free market of Beijing, fried peanuts cost 1.2 yuan per jin. The nuts are all round as pearls and smooth as jade, crisp and delicious. Baked sweet potatoes cost some 0.3 yuan per jin, and they taste extraordinarily sweet and tasty in winter. There is plenty of variety of other nonstaple food; sugarcoated haws on a stick, and haw jelly are everywhere, this shows how active the rural economy is. In the past years, during the tyranny of the "gang of four," and the boast was that "orioles sing and swallows dart everywhere," the author visited Jiangsu and Zhejiang. In town and countryside, nowhere could one find a single peanut. Comparing the present situation with the past, the abundance of material in the market throughout the country cannot be mentioned in the same breath.

The rise in prices is certainly not welcome. However, the actual threat to the people who have enjoyed salary readjustment this year, who have young family members in employment, and who have gained bonuses is not great. Moreover, the state has cut the prices of commodities like television sets and wristwatches. However, it is undeniable that the salaries of the middle-lower level like intellectuals and cadres have not been raised and they do not have bonuses. Their actual income is being cut because of the rise of prices. Among this group of people, teachers of secondary and primary schools in particular are people who work the longest hours. Their income was already meager, and the rise of prices makes the situation even worse.

A young university lecturer from Lanzhou told the writer that the last time he ate in a Beijing restaurant, it cost him 1.7 or 1.8 yuan for a meal, and the dishes were only ordinary. He felt the price threat, when comparing the bill for a meal in the

past. It is said that the central authorities will raise the salaries of the teachers and intellectuals this year; if not, their lives will be more difficult.

A Drastic Measure Is To Have Currency Withdrawn From Circulation

The central authorities have paid special attention to the work of price control because the fluctuation of prices will lead to discontent among the people. The upheavals in Poland were caused by problems over prices. That is why we cannot ignore the question. However, the problem cannot be solved if it is suppressed by administrative measures only. Would it not be better to take radical measures to get at the root of the problem than to merely bring about a temporary solution? The fundamental solution is to increase production, stop printing more money, bring about a balance between supply and demand and strive to have more currency withdrawn from circulation. The central authorities have been doing work concerning this aspect.

However, from another point of view, the Chinese rural economy has been enlivened. The income of the peasants and workers in towns and cities and self-employed urban citizens has actually increased a great deal and there are more ways to earn money, and so their purchasing power has increased tremendously. This is an undeniable fact. We can say it is a favorable phenomenon, which has brought about fundamental changes. The people's income will increase as the policies of bringing into full play the superior features, protecting competition and promoting joint ventures are popularized. The phenomenon of wealth being stored among the people is not being manifested. The Chinese are hardworking and honest; in particular the Chinese peasants, who form 80 percent of the total population, wholeheartedly welcome the present agricultural policy, and the potential of production will be brought into full play. Anyone interested can go to the free market and talk with the peasants who are selling goods, then he can understand the new changes happening in the rural areas. The enlivened economy in all localities will certainly bring about new contradictions. The fluctuation of prices is but one of the links. However, the central authorities have attached great importance to the man-made factors exposed amid the rise of prices. So long as we suit the remedy to the case, it will not be difficult to curb these factors. The central authorities have great confidence in this. As for the people, so long as they understand the actual situation, they will not be too pessimistic about the future.

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